Prospectus

for the public offering

of

1,000,000 newly issued ordinary bearer shares with no par value (*Stückaktien*)
from a capital increase against cash contributions resolved by an extraordinary general shareholders' meeting of the Company on 8 May 2018

and of

1,000,000 existing ordinary bearer shares with no par value (*Stückaktien*)
from the holdings of the Selling Shareholder

and of

300,000 existing ordinary bearer shares with no par value (*Stückaktien*)
from the holdings of the Selling Shareholder in connection with a possible over-allotment

and, at the same time

for the admission to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)

of

5,000,000 ordinary bearer shares with no par value (*Stückaktien*) (existing share capital)

and of

up to 1,000,000 newly issued ordinary bearer shares with no par value (*Stückaktien*)
from a capital increase against cash contributions resolved by an extraordinary general shareholders' meeting of the Company on 8 May 2018

- each such share with a notional value of EUR 1.00 in the share capital
and with full dividend rights as from 1 January 2018 -

of

STS Group AG

Hallbergmoos, Germany

Price Range: EUR 26.00 – EUR 32.00

International Securities Identification Number (ISIN): DE000A1TNU68
German Securities Code (Wertpapierkennnummer – WKN): A1TNU6
Ticker symbol: SF3

Sole Global Coordinator and Joint Bookrunner
Hauck & Aufhäuser Privatbankiers Aktiengesellschaft

Joint Bookrunner
MainFirst Bank Aktiengesellschaft

The date of this Prospectus is 14 May 2018

Contents

1. SUMMARY

Section A – Introduction and Warning Notices

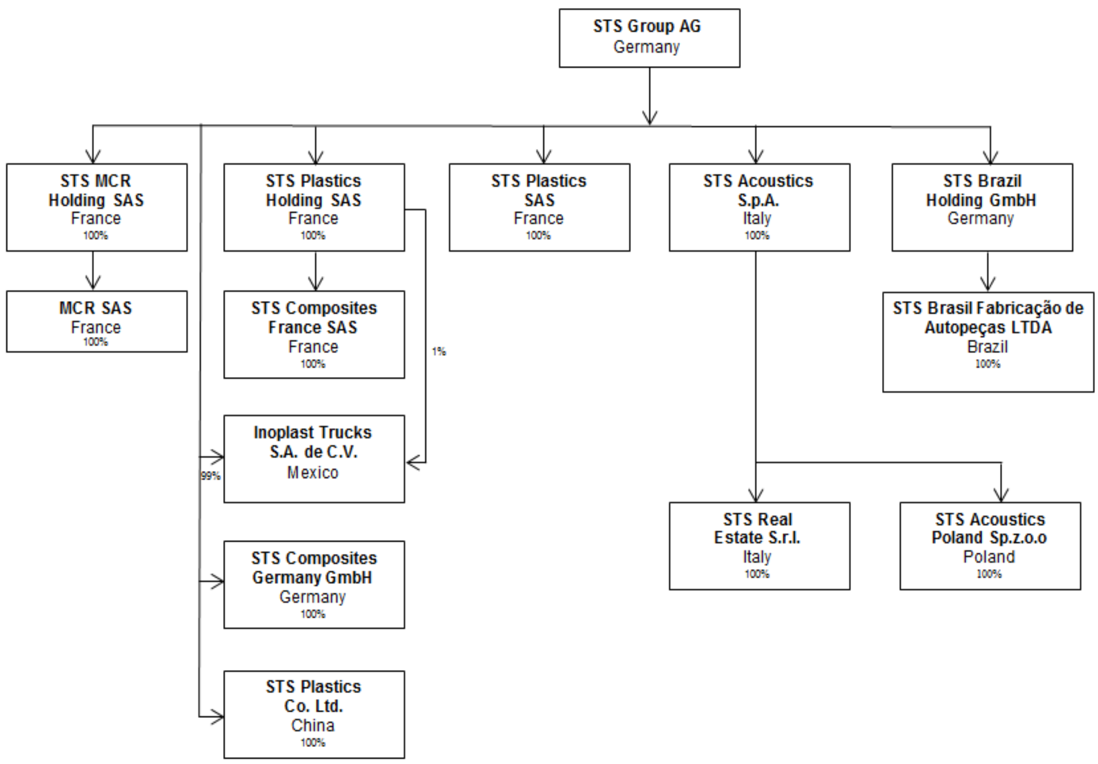
Summaries are made up of disclosure requirements known as elements ("**Elements**"). These Elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In such cases, the summary includes a short description of the Element with the words „not applicable".

A.1	**Warning notices**	The summary should be read as an introduction to this prospectus (the **"Prospectus"**). Investors should base any decision to invest in the Offer Shares (as defined under section C.1) on consideration of this Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Economic Area, have to bear the costs of translating this Prospectus before legal proceedings are initiated. STS Group AG, with its registered seat in Hallbergmoos, district Freising, Germany (hereinafter also referred to as **"Issuer"** or **"Company**", and together with its consolidated subsidiaries hereinafter, the **"STS Group"**), Hauck & Aufhäuser Privatbankiers Aktiengesellschaft, Frankfurt am Main, Germany (hereinafter also referred to as **"Hauck & Aufhäuser"**) and MainFirst Bank Aktiengesellschaft, Frankfurt am Main, Germany (hereinafter also referred to as **"MAINFIRST"**) (Hauck & Aufhäuser and MAINFIRST are hereinafter referred to as the **"Joint Bookrunners"**) assume responsibility for the contents of this summary, including any translations thereof pursuant to Sec. 5 para. 2 b no. 4 German Securities Prospectus Act Wertpapierprospektgesetz – WpPG). Those who have assumed responsibility for this summary, including any translations thereof, or who have caused its publication (*von denen der Erlass ausgeht*), can be held liable but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or if it does not provide, when read together with the other parts of this Prospectus, all necessary key information.
A.2	**Consent to the use of the Prospectus by financial intermediaries**	Not applicable. Consent to the use of this prospectus for a subsequent resale has not been granted.

Section B – Issuer		
B.1	**Legal and commercial name**	The legal name of the Company is STS Group AG. The commercial name is "**STS Group**" or "**STS**".
B.2	**Registered office, legal form, relevant legal system and country of the formation of the company**	The Company's registered office is in Hallbergmoos, district Freising/Germany. The Company is registered at the commercial register of the local court (*Amtsgericht*) of Munich, Germany, under HRB 231926. The Company is a German stock corporation (*Aktiengesellschaft*) incorporated in the Federal Republic of Germany and governed under German law.
B.3	**Type of current business activity and main activities including their relevant factors**	The STS Group believes it is a leading global system supplier for interior and exterior parts focused on commercial vehicles. The STS Group develops, manufactures and supplies products and solutions for acoustic and thermal insulation (so-called "soft trim products") and components made of plastics or composite material (so-called "hard trim products") for the automobile and trucking industries. The STS Group offers parts and systems for four categories of vehicles: medium and heavy commercial vehicles (“**MHCVs**”), light commercial vehicles (“**LCVs**”), agriculture and construction vehicles (“**ACVs**”), and light vehicles (“**LVs**”). Its customer base includes a number of the major automobile and commercial vehicle producers, including many industry leaders. The STS Group has its headquarters in Germany and operates 16 plants in seven countries on three continents, with production facilities in its key regional markets of Europe, China, the free trade zone of the North American Free Trade Agreement market (“**NAFTA market**“) and South America, which are strategically located in close proximity to its customers. The STS Group has four research and development centers located in close proximity to its customers, two in France, one in Italy and one in China. The STS Group divides its business into three business segments: • *Plastics segment*: This segment includes all hard trim products. It includes the manufacture of hard trim applications for STS Group customers. Hard trim applications are used for exterior body parts (bumpers, side trim panels) or interior modules (cool boxes and shelf elements). In addition, this segment has its own capacity for painting plastic. This segment has only existed since 2017. • *Acoustics segment*: This segment includes all soft trim products. Soft trim applications have acoustic and thermal features, which reduce noise and protect against heat. • *Mixed composites recyclables (“**Materials**”) segment*: This segment includes the production of semi-finished goods, namely sheet molding compound (“**SMC**”) mats, bulk molding compound (“**BMC**”) and advanced molding compound (“**AMC**”). The semi-finished goods are used internally for hard trim applications and are supplied externally to third parties. This segment has only existed since 2017.

		The history of STS Group, in particular with respect to the financial years ended 31 December 2017 and 31 December 2016, has been characterized by significant growth through external acquisitions. The STS Group originally emerged from the purchase of the Italian-based commercial and light vehicle acoustics business of the automotive supplier Autoneum Group by STS Group's shareholder mutares AG (hereinafter referred to as the "**Selling Shareholder**") in 2013 by way of a carve-out. Following the establishment of the STS brand in 2013, the STS Group started the construction of a new production plant in Poland in 2015 to provide additional production capabilities as well as to maintain close contact with its customers. In December 2016, STS Group acquired the truck business from France-based automobile supplier Novares France (previously Mecaplast France SAS) which marked STS Group's entry into the hard trim business (the "**Bellini Acquisition**"). With the acquisition of the truck part supplying business of the Plastic Omnium Group in June 2017, which included the share purchase and transfer of five entities (STS Plastics Co., Ltd., Inoplast Trucks S.A. de C.V., STS Composites France SAS, MCR S.A.S. and STS Composites Germany GmbH) (the "**Dolmen Acquisition**"), the STS Group expanded its product portfolio of exterior thermoset components and modules for truck cabins and light vehicles. In addition, on 30 September 2017, the STS Group expanded its business into South America through the acquisition of a plant located in Brazil from the Autoneum group by way of a share deal in respect of the entire share capital of Minas Têxteis – Fabricação de Peças e Partes Automotivas Ltda. (the "**Opus Acquisition**"). In the financial year ended 31 December 2017, the STS Group generated revenues of kEUR 309,993 and EBITDA of kEUR 55,036. On a pro-forma basis, i.e. assuming that the Dolmen Acquisition and the Opus Acquisition had been consummated as of 1 January 2017, the STS Group generated pro forma revenues of kEUR 425,226 and pro forma EBITDA of kEUR 65,814 in the financial year ended 31 December 2017. The foregoing pro forma revenue and EBITDA figures are based on STS Group's unaudited pro forma consolidated financial information (for further information, please refer to section B.8). A significant part of its revenue is generated through long-term agreements with its customers under which the STS Group can estimate its expected order backlog based on the duration of the agreement, the life time of the particular model of vehicle for which it supplies automobile and trucking parts, the number of facelifts a particular model will undergo during the duration of its agreements and the STS Group's estimation of the future market development. As of 31 January 2018, the STS Group´s order backlog amounts to an estimated €1.9 billion for the years 2018 to 2022. The STS Group estimates that it will generate revenues from its current order backlog in respect of the forecasted revenues for each of the financial years 2018 to 2022 as follows: 99% in 2018, 94% in 2019, 84% in 2020, 77% in 2021 and 72% in 2022 with the remaining percentages of its forecasted revenue in each respective year being generated through new business with existing or new customers. The STS Group directly supplies its products to original equipment manufacturers ("**OEMs**"). It is a Tier 1 supplier for MCHVs, LCVs and ACVs with OEM customers

		such as Volvo Trucks, Daimler Trucks, Scania, IVECO, and FCA. A Tier 1 supplier (First Tier supplier) is a company that provides parts and materials directly to a manufacturer of goods. .Further, STS Group is a Tier 2 supplier for LVs with OEM customers such as Volvo, PSA and Renault. A Tier 2 supplier (Second Tier supplier) is a company that supplies materials or parts to another company that then supplies them to a manufacturer.
B.4a	**Most important trends that impact the Issuer and the industries in which it is active**	The STS Group believes that its markets are characterized by several fundamental trends: *Demand for commercial vehicles*: It is expected that the global commercial and automotive market will increase at a CAGR of 2.1% from 2017 to 2022, with a growth rate of 1.2% in Medium and Heavy Commercial Vehicles, especially trucks (source: Company estimates based on publicly available market data). Light commercial vehicles are expected to grow more slowly than the global trend with lower growth rates from 2017 to 2022. *Automotive key trends:* The demand in the STS Group's key end markets is increasingly affected by a number of trends, in particular the trend to decrease emissions and an increasing focus on e-mobility, largely driven by the emission targets set in different regions in the world (source: Lazard and Roland Berger, Global Automotive Supplier Study 2018). The STS Group addresses these trends as its materials offer lightweight products which reduce the overall weight of the vehicles and result in lower emissions combined with lower product costs for structural parts as compared to metal products. Additional key trends include the shortening of the model life cycles of commercial vehicles, which in turn leads to an increase in small and medium batch size orders from potential customers. Furthermore, the STS Group expects that the trend towards autonomous driving will necessitate an adjustment of the product offering in order to meet specific characteristics of electronic and electric devices. *Cost of raw materials*: The purchase price of certain raw materials used in the STS Group's production chain is forecast to increase as compared to the financial year 2017, which will likely affect production costs of products in the Materials segment. For example, according to the STS Group's management estimates, that the purchase price for aluminum and steel is expected to increase by approximately 5% in 2018 compared to the purchase price of those raw materials in 2017.
B.5	**Organizational structure and position of the Issuer within the group**	The following diagram sets forth a simplified summary of the STS Group structure and the position of the Company and its subsidiaries as of the date of this Prospectus:



B.6	**Name of each person, who holds a direct or indirect interest in the equity of the Issuer or a portion of the voting rights, which have to be reported according to the national legal provisions applicable to the Issuer, including the amount of the participation of the individual persons (as far as known to the Issuer)**	The following table sets forth the Company's ownership structure (i) as of the date of this prospectus as well as the ownership structure (ii) assuming a placement of New Shares (as defined under C.1) and the Sale Shares (as defined under C.1) in full and (iii) assuming the placement of the New Shares and the Sale Shares in full and full exercise of the Greenshoe-Option (as defined under C.1).

	As of the date of the Prospectus		**Upon completion of the Offering (assuming no exercise of the Greenshoe Option)**		**Upon completion of the Offering (assuming full exercise of the Greenshoe Option)**	
Shareholder	**Shares**	**% (rounded)**	**Shares**	**% (rounded)**	**Shares**	**% (rounded)**
Selling Shareholder	5,000,000	100	4,000,000	66.67	3,700,000	61.67
Freefloat Comprising all shareholders with less than 5% in the share capital	0	0	2,000,000	33.33	2,300,000	38.33
Total number of shares	**5,000,000**	**100**	**6,000,000**	**100**	**6,000,000**	**100**

	Information about whether different voting rights exist	Each of the Company's shares carries one vote in the Company's general shareholders' meeting (*Hauptversammlung*). There are no restrictions on voting rights or deviating voting rights.

	Information about whether another party owns interests in the Issuer or whether the Issuer is involved in any controlling relationships, who holds these interests and/or who exercises this control, and what type of control it is.	Even after the implementation of the IPO capital increase and if the Over-Allotment Option (as defined under E.3) is exercised, the Selling Shareholder will hold at least 61.6% of the Company's shares. Thus, it alone has a sufficient number of voting rights to make resolutions at the shareholders' meeting and therefore enable it to exercise a controlling influence over the Company.
B.7	**Selected historical key financial information of the Issuer which are presented for each financial year of the period covered by the historical key financial information**	The financial information in the following tables is taken or derived from the audited consolidated financial statements of the Company as of and for the financial years ended 31 December 2017 and 31 December 2016 (with comparative financial data as of and for the financial year ended 31 December 2015) (together, the "**Audited Consolidated Financial Statements**") and the Company's internal accounting records and its management reporting system. The financial information as of and for the financial year ended 31 December 2015 has been extracted from the comparative financial information included in the audited consolidated financial information of the Company as of and for the financial year ended 31 December 2016 whereas the financial information as of and for the financial year ended 31 December 2016 has been extracted from the comparative financial information included in the audited consolidated financial information of the Company as of and for the financial year ended 31 December 2017. The Audited Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). Unless otherwise indicated, the term "financial year" refers to a financial year of the Company, i.e., a financial year beginning on 1 January in a given calendar year and ending on 31 December of the same calendar year. Where financial information in the following tables is denoted as "audited", this means that it was taken from the Audited Consolidated Financial Statements. The label "unaudited" is used in the following tables to indicate financial information that was not taken from the Audited Consolidated Financial Statements but that was either taken or derived from the Company's internal accounting records, management reporting systems or is based on calculations of these figures or recomputed from the Audited Consolidated Financial Statements. Financial data presented in parenthesis denotes the negative of such number presented.

Selected Financial Data from the Consolidated Statement of Profit or Loss

The following table shows financial data from the consolidated statement of profit or loss and selected financial data from the segment reporting of the Company for the financial years ended 31 December 2017, 2016 and 2015:

	For the financial year ended 31 December		
	2017[1]	**2016[1]**	**2015[1]**
In kEUR		(**audited**)	
Revenues	309,993	136,159	134,527
Thereof: Plastics segment[2]	162,856	0	-
Thereof: Acoustics segment	132,635	136,159	134,527
Thereof: Materials segment[3]	14,502	0	-
Increase or decrease in finished goods and work in progress	2,450	(1,276)	(1,472)
Other operating income	55,735	5,597	1,704
Material expenses	(190,555)	(85,188)	(84,287)
Personnel expenses	(75,619)	(33,304)	(32,646)
Depreciation and amortization expenses	(8,177)	(2,536)	(2,918)
Other operating expenses	(46,967)	(10,610)	(11,265)
Interest and similar income	56	1	72
Interest and similar expenses	(3,072)	(867)	(1,329)
Income before income tax expense	**43,844**	**7,976**	**2,386**
Income tax expense	3,121	(472)	(391)
Income after income tax expense	**46,965**	**7,504**	**1,995**
Thereof attributable to owners of STS Group	46,965	7,504	1,995

[1] In financial years 2017, 2016 and 2015, the accounting policies of the reportable segments were based on the German Commercial Code (*Handelsgesetzbuch – HGB*) (**"German GAAP"**). The figures shown in the following tables in this section show the segment reporting had the STS Group applied the accounting policies based on the IFRS for its reportable segments already in financial years 2017, 2016 and 2015.

[2] The Plastics segment was created through the Bellini Acquisition and the Dolmen Acquisition (both as defined in B.3). Therefore, no "segment revenue – third party" was recorded in the financial years ended 31 December 2016 and 31 December 2015.

[3] The Materials segment was created through the Opus Acquisition (as defined in B.3). Therefore, no “segment revenue – third party ” was recorded in the financial years ended 31 December 2016 and 31 December 2015.

Selected Financial Data from the Consolidated Statement of Financial Position

The following table shows selected financial data from the consolidated statement of financial position of the Company as of 31 December 2017, 2016 and 2015:

	As of 31 December		
	2017	**2016**	**2015**
in kEUR		**(audited)**	
Non-current assets	114,794	35,605	18,529
Current assets	160,159	52,911	45,788
Total assets	**274,953**	**88,516**	**64,317**
Total equity	60,666	16,273	7,276
Non-current liabilities	45,867	29,451	15,925
Current liabilities	168,420	42,792	41,116
Total equity and liabilities	**274,953**	**88,516**	**64,317**

Selected Financial Data from the Consolidated Statement of Cash Flows

The following table shows selected financial data from the consolidated statement of cash flows of the Company for the financial years ended 31 December 2017, 2016 and 2015:

	For the financial year ended 31 December		
	2017	**2016**	**2015**
in kEUR		**(audited)**	
Income after income tax expense	**46,965**	**7,504**	**1,995**
Net cash flows from operating activities	(8,667)	1,278	(184)
Net cash flows from investing activities	(17,230)	(10,305)	(1,146)
Net cash flows from financing activities	39,204	10,383	310
Effect of currency translation on cash and cash equivalents	(80)	0	-
Net increase in cash and cash equivalents	**13,228**	**1,356**	**(1,020)**

Selected Other Key Performance Indicators

The following table shows selected other key financial performance indicators as of and for the financial years ended 31 December 2017, 2016 and 2015. Non-IFRS financial measures such as gross profit, gross profit margin, EBIT, EBITDA, EBITDA margin, Adjusted EBITDA and Adjusted EBITDA margin are not required by or presented in accordance with IFRS. These Non-IFRS financial measures are key figures used by management to monitor the performance of the STS Group.

As of and for the financial year ended 31 December

in kEUR *(unless otherwise stated)*	2017	2016	2015
	(audited, unless otherwise stated)		
Gross profit (unaudited)[1]	177,623	55,292	50,472
Gross profit margin (in %) (unaudited)[2]	57.3	40.6	37.5
EBIT[3,10]	46,860	8,843	3,643
Thereof: Plastics segment[4]	(240)	(361)	-
Thereof: Acoustics segment	1,254	3,965	3,888
Thereof: Materials segment[5]	356	0	-
Thereof: Corporate/ Consolidation	45,490	5,240	(244)
EBITDA[6,10]	55,036	11,378	6,561
Thereof: Plastics segment[4]	4,537	(361)	-
Thereof: Acoustics segment	3,984	6,501	6,805
Thereof: Materials segment[5]	994	0	-
Thereof: Corporate/ Consolidation	45,522	5,240	(244)
EBITDA margin (in %) (unaudited)[7]	17.8	8.4	4.9
Adjusted EBITDA (unaudited)[8,10]	14,167	7,325	6,922
Adjusted EBITDA margin (in %) (unaudited)[9]	4.6	5.4	5.1

[1] Gross profit is defined as revenue plus increases or decreases of finished goods and work in progress as well as other operating income and minus material expenses. The following table shows the reconciliation of consolidated revenues to consolidated gross profit:

in kEUR	For the financial year ended 31 December		
	2017	**2016**	**2015**
	(**audited, except as otherwise noted**)		
Revenues	**309,993**	**136,159**	**134,527**
Increases or decreases of finished goods and work in progress	2,450	(1,276)	(1,472)
Other operating income	55,735	5,597	1,704
Material expenses	(190,555)	(85,188)	(84,287)
Gross profit (unaudited)	**177,623**	**55,292**	**50,472**

[2] Gross profit margin is defined as gross profit (as defined and as reconciled to revenues in footnote 1) divided by revenue for the period stated.

[3] EBIT is a profit metric, which is derived from the Company's audited consolidated financial statements. The Company believes EBIT to be a useful indicator for the Company's operating and financial performance and allows for year-on-year comparability going forward. It is defined as income before tax expense before interest and similar expenses and interest and similar income (all as reported in the Company's audited financial statements for the periods presented). For a reconciliation of EBIT from income before income tax, please see the table in footnote 10 below.

[4] The Plastics segment was created through the Bellini Acquisition and the Dolmen Acquisition (both as defined in B.3). Therefore, no EBIT and EBITDA was recorded in the financial year ended 31 December 2015.

[5] The Materials segment was created through the Opus Acquisition (as defined in B.3). Therefore, no EBIT and EBITDA was recorded in the financial years ended 31 December 2016 and 31 December 2015.

[6] EBITDA is a profit metric, which is derived from the Company's audited consolidated financial statements.The Company believes EBITDA to be a useful indicator for the Company's operating and financial performance and allows the year-on-year comparability going forward. It is defined as income before tax expense before interest and similar expenses, interest and similar income and depreciation and amortization (all as reported in the Company's audited financial statements for the periods presented). For a reconciliation of EBITDA from income before income tax, please see the table in footnote 10 below.

[7] "EBITDA margin" is defined as EBITDA (as defined in footnote 6 and as reconciled from income before income tax expense in the table in footnote 10 below) divided by revenue for the period stated.

[8] Adjusted EBITDA is a profit metric, which the Company believes to be an useful indicator for the Company's operating and financial performance without certain one-time effects and allows for year-on-year comparability going forward. It is defined as EBITDA (as defined above and as reconciled from income before income tax expense in the table in footnote 10 below) and

adjusted for the income from bargain purchases as a result of the Bellini Acquisition the Dolmen Acquisition and the Opus Acquisition as well as legal and consulting fees (including consulting fees paid to the Selling Shareholder), severance costs and costs for transition services agreements. For a reconciliation of Adjusted EBITDA from income before income tax expense, please see the table in footnote 10 below.

[9] Adjusted EBITDA margin is defined as Adjusted EBITDA (as defined in footnote 8 and as reconciled from income before tax expense in the table in footnote 10 below) divided by revenue for the period stated.

[10] The following table shows the reconciliation from consolidated income before income tax expense to consolidated EBIT to consolidated EBITDA to consolidated Adjusted EBITDA

	For the financial year ended 31 December		
	2017	**2016**	**2015**
in kEUR	(**audited, except as otherwise noted**)		
Income before income tax expense	**43,844**	**7,976**	**2,386**
Interest and similar expenses	3,072	867	1,329
Interest and similar income	(56)	(1)	(72)
EBIT	**46,860**	**8,842**	**3,643**
Depreciation and amortization expenses	8,177	2,536	2,918
EBITDA..	**55,036**	**11,378**	**6,561**
Adjustments (unaudited)..	(40,869)	(4,053)	361
Thereof: Income from bargain purchases (unaudited)[1]	(46,957)	(5,250)	-
Thereof: Net effect of tax indemnification issue (unaudited)[2]	(2,831)	-	-
Thereof: Legal and consulting fees (unaudited)[3]...................	6,718	469	361
Thereof: Severance costs (unaudited)[4].................................	1,551	728	-
Thereof: TSA costs (unaudited)[5]...	650	-	-
Adjusted EBITDA (unaudited)..	**14,167**	**7,325**	**6,922**

[1] Includes purchase price adjustments for bargain purchases in connection with the Bellini Acquisition, the Dolmen Acquisition and the Opus Acquisition.

[2] Includes the net effect on EBITDA of a tax indemnification claim against the former shareholder of STS Acoustics S.p.A pursuant to the sale and purchase agreement relating to the acquisition of STS Acoustics S.p.A. In connection with the acquisition of STS Acoustics S.p.A., the STS Group paid income taxes, VAT, tax penalties and interest for prior years for which STS Group was indemnified by the former shareholder of STS Acoustic S.p.A.

[3] Includes fees for legal, business, consulting, accounting and tax advice incurred in connection with the Bellini Acquisition, the Dolmen Acquisition and the Opus Acquisition as well as consulting fees paid to the Selling Shareholder.

[4] Includes severence payments to personnel employeed by the acquired entities and assets.

[5] TSA costs include expenses incurred in connection with transition services agreements, e.g. the ongoing use of IT-systems, as a result of the Bellini Acquisition, the Dolmen Acquisition and the Opus Acquisition.

	Significant changes to the issuer's financial condition and operating results during and subsequent to the period covered by the historical key financial information	***Financial years ended 31 December 2017 and 2016*** Revenues for financial year 2017 amounted to kEUR 309,993, which was an increase of kEUR 173,834 compared to the financial year 2016. The increase in revenue was mainly due to acquisitions in 2017. The Dolmen Acquisition (as defined under B.3) was completed as of 30 June 2017 and revenue from the entities involved contributed to group sales for the second half of the financial year 2017. In addition, the Opus Acquisition (as defined under B.3) was completed as of 30 September 2017 and such revenue in the fourth quarter of 2017 relating to this acquisition increased total revenue for the financial year 2017. In addition, the Bellini Acquisition (as defined under B.3) which was closed as of 23 December 2016 contributed its full revenue in financial year 2017. Current liabilities as at 31 December 2017 amounted to kEUR 168,420, which was an increase of kEUR 125,628 compared to as at 31 December 2016. Non-current liabilities as at 31 December 2017 amounted to kEUR 45,867, which was an

		increase of kEUR 16,416 compared to as at 31 December 2016. ***Financial years ended 31 December 2016 and 2015*** Revenues for financial year 2016 amounted to kEUR 136,159, which represented an increase of kEUR 1,632 as compared to financial year 2015. The slight increase resulted from the continuation of regular business operations without the development of any extraordinary circumstances or increases in revenue through acquisitions. Current liabilities as at 31 December 2016 amounted to kEUR 42,792, which was an increase of kEUR 1,676 compared to as at 31 December 2015. Non-current liabilities as at 31 December 2016 amounted to kEUR 29,451, which was an increase of kEUR 13,526 compared to as at 31 December 2015. **Recent Developments** *Capital increase from company funds as of 13 April 2018* The Company's extraordinary general meeting held on 13 April 2018 resolved on a capital increase from company reserves from EUR 50,000.00 by EUR 1,000,000.00 to EUR 1,050,000.00 according to the provisions of the German Stock Corporation Act (AktG) (Sections 207 et seqq. AktG) by converting a partial amount of the capital reserve. The capital increase has been conducted by issuing 1,000,000 new no-par value bearer shares with a pro rata amountof the Company's share capital amounting to EUR 1.00 per no-par value share. The Selling Shareholder as the Company's sole shareholder subscribed for all new shares. The new shares carry full dividend rights as of 1 January 2018. The implementation of the capital increase was registered with the commercial register (*Handelsregister*) on 24 April 2018. *Capital increase against cash contributions as of 25 April 2018* The Company's extraordinary general meeting held on 25 April 2018 resolved to increase the Company's share capital from EUR 1,050,000.00 by EUR 3,950,000.00 to EUR 5,000,000.00 by issuing 3,950,000 new no-par value bearer shares with a pro rata amount of the Company's share capital amounting to EUR 1.00 per no-par value share. The Selling Shareholder as the Company's sole shareholder subscribed for all new shares. The new shares carry full dividend rights as of 1 January 2018. The implementation of the capital increase was registered with the commercial register (*Handelsregister*) on 30 April 2018. *Financial and business developments* In the first months of the current financial year, the STS Group's relevant markets in terms of business segments and regions developed in line with the Company's expectations, which contributed positively to STS Group's results of operations for the first quarter of 2018. Revenue on a consolidated basis has increased significantly as compared to the corresponding period in the prior financial year primarily as a result of the Dolmen Acquisition and the Opus Acquisition. Other than as a direct result of these acquisitions, the STS

		Group has experienced strong revenue growth in particular in China due to the commencement of new projects. Synergies as well as enhancements of production efficiency resulting in lower scrap rates and a corresponding decrease in material expenses have contributed positively to the STS Group's income before income tax expense. These positive effects were partially offset by higher costs attributable to the ramping up of new production lines at the STS Group's Polish plant and relatively high raw material prices. The progress of the integration of the Bellini Acquisition, Dolmen Acquisition and Opus Acquisition is in line with the Company's post-merger integration plans and the Company believes that all major integration steps, such as the carve-out of the IT systems from its former corporate groups and the termination of still existing transition service agreements will have been finalized by the end of the current financial year. Generally, customer demand in the STS Group's end markets remains at relatively high levels. The STS Group expects that this trend will continue throughout the current financial year, mainly driven by demand of customers in China which is, in the Company's opinion, proof of the significant growth potential in this market. Order intake with respect to newly acquired business and the corresponding additions to the STS Group's order backlog in the first months of the current financial year have developed in line with management's expectations.As part of the Company's strategy to achieve further growth in new geographical markets and to ramp up its business in China, STS Group leased its third production site in Shiyan (China). The respective agreement was signed on 23 March 2018 and operations are expected to commence in the first quarter of the financial year 2019.

B.8	**Selected pro forma financial information**	The following selected pro forma financial information is based on STS Group´s unaudited pro forma consolidated financial information. The purpose of this pro forma financial information is to present the pro forma consolidated income statements of the Issuer for the year ended 31 December 2017 as if the Dolmen Acquisition and the Opus Acquisition had occurred as of 1 January 2017. The Dolmen Group consists of the five legal entities STS Composites France S.A.S., MCR S.A.S., STS Composites Germany GmbH, Inoplast Trucks S.A. de C.V., and STS Plastics Co., Ltd. The Opus Group consists of the Minas Têxteis - Fabricação de Peças e Partes Automotivas Ltda. as well as the STS Brazil Holding GmbH. The unaudited Pro Forma Financial Information has been prepared for illustrative purpose only. Because of its nature the unaudited Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the STS Group's actual results of operations. It is not necessarily indicative of the results of operations that would have occurred during the period presented had the pro forma adjustments actually taken place as of the dates specified, nor is it necessarily indicative of future results of operations. **Pro forma consolidated income statement for the period from 1 January 2017 to 31 December 2017:**

Basic figures Historical financial information	**STS Group**	**Adjusted Dolmen Group**	**Opus acquisition**	**Totals column**	**Total pro forma Adjust-ments**	**Pro forma Console-dated statement of profit or loss**
In kEUR	**1 January 2017 to 31 December 2017**	**1 January 2017 to 31 December 2017**	**1 January 2017 to 31 September 2017**	**1 January 2017 to 31 December 2017**		
Revenues	309,993	109,782	5,451	425,226		425,226
Increase or decrease in finished Goods, inventories and work in progress	2,450	1,012		3,462		3,462
Other operating income	55,735	4,996	74	60,804		60,804
Material expenses	(190,555)	(59,192)	(2,759)	(252,506)		(252,506)
Personnel expenses	(75,619)	(29,172)	(1,371)	(106,162)		(106,162)
Depreciation and amortisation expenses	(8,177)	(2,906)	(417)	(11,500)	(790)	(12,290)
Other operating expenses	(46,967)	(18,727)	(906)	(66,599)	1,590	(65,010)
Interest and similar income	56	3		59		59
Interest and similar expenses	(3,072)	(303)		(3,375)	(100)	(3,475)
Income before income tax expense	**43,844**	**5,493**	**72**	**49,408**	**699**	**50,108**
Income tax expense	3,121	(416)	(25)	2,680	(180)	2,500
Income after income tax expense	**46,965**	**5,077**	**48**	**52,089**	**519**	**52,608**
There of attributable to owners of STS Group AG	46,965					52,608
Earnings per share in EUR (basic)	**0.94**					**1.05**
Earnings per share in EUR (diluted)	**0.94**					**1.05**

B.9	**Profit projections or estimates**	Not applicable, since the Company has not made any profit-forecasts or estimates.
B.10	**Restrictions in the audit certificates**	Not applicable. The auditor's reports on the historical financial information included in this Prospectus have been issued without qualifications.
B.11	**Declaration on insufficient working capital**	Not applicable, since the Company is of the opinion that as of the date of this Prospectus the STS Group is in a position to meet the payment obligations that become due within at least the next twelve months.
	Section C – Securities	
C.1	**Description of the type and class of the securities offered and/or admitted for trading, including the security identification number.**	The Offering (as defined below) relates to 2,300,000 ordinary bearer shares with no par value (*Stückaktien*) of the Company, each such share with a notional value of EUR 1.00 in the share capital of the Company and full dividend rights from 1 January 2018. The Offering consists of: • 1,000,000 newly issued ordinary bearer shares with no par value (*Stückaktien*) from a capital increase against cash contributions (the **"Capital Increase"**) excluding shareholders' subscription rights, resolved by an extraordinary general shareholders' meeting of the Company on 8 May 2018 (the **"New Shares"**); • 1,000,000 existing ordinary bearer shares with no par value (*Stückaktien*) of the Company from the holdings of the Selling Shareholder (the **"Sale Shares"**); and • 300,000 existing ordinary bearer shares with no par value (*Stückaktien*) of the Company from the holdings of the Selling Shareholder under a securities loan in connection with a possible over-allotment by the Joint Bookrunners (the **"Over-Allotment Shares"**, together with the New Shares and the Sale Shares, the **"Offer Shares"**). The extraordinary general shareholders' meeting of the Company held on 8 May 2018 resolved on the Capital Increase in order to create the New Shares. Registration of the resolution with the commercial register and the implementation of the Capital Increase are expected on or before 30 May 2018. As of the start of trading, the Company's total share capital will amount up to EUR 6,000,000 divided into up to 6,000,000 shares. All existing shares are fully paid-up and all New Shares will be fully paid-up upon issuance. ISIN (International Security Identification Number): DE000A1TNU68 German Securities Code (*Wertpapierkennnummer - WKN*): A1TNU6 Ticker symbol: SF3
C.2	**Currency of the securities issue**	The Offer Shares are offered in Euro.
C.3	**Number and par value of the issued and fully paid shares; par value per share or indication that**	As of the date of this Prospectus, the Company's existing share capital amounts to EUR 5,000,000.00 and is divided into 5,000,000 ordinary bearer shares with no par value (*Stückaktien*) (all shares of the Company outstanding from

	the shares have no par value	time to time, together the **"Shares"** and each share a **"Share"**). Each Share currently represents a notional interest of EUR 1.00 in the Company's share capital.
C.4	**Description of the rights associated with the shares**	Each Offer Share carries one vote at the Company's general shareholders' meeting. There are no restrictions regarding the voting rights other than the restrictions provided by law in certain cases and there are no different classes of voting rights. The Offer Shares carry full dividend rights from 1 January 2018. Shareholders have the right to subscribe for new shares issued pursuant to any future capital increases in a ratio proportionate to the respective interest they hold in the Company's current share capital (subscription right).
C.5	**Description of all possible restrictions of the free transferability of the shares**	The Shares are freely transferable in accordance with the legal provisions applicable to bearer shares. With the exception of the restrictions set out in section E.5 "lock-up agreements", there are no restrictions on the transferability or lock-ups affecting the Shares.
C.6	**Information about whether an admission to trading on a regulated market has already or is yet to be requested for the offered securities, and listing of all regulated markets in which the securities are currently traded or will be traded.**	The Company expects to apply for admission of its 5,000,000 existing shares and the up to 1,000,000 New Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard) on 14 May 2018. The decision on the admission of these up to 6,000,000 shares of the Company to trading is expected to be announced on or about 30 May 2018. The decision on the admission of the Company's shares to trading will be made solely by the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) at its discretion. Trading of these shares of the Company on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to commence on 1 June 2018.
C.7	**Description of the dividend policy**	According to the annual financial statements of the Company as of and for the financial year 2017 prepared in accordance with the German Commercial Code (*Handelsgesetzbuch; HGB*) ("**German GAAP**") (the "**German GAAP Financial Statements 2017**"), the Company distributed a balance sheet profit in the amount of EUR 1,710,000.00 in the financial year ended 31 December 2017 to the Selling Shareholder in respect of the financial year ended 31 December 2016. This corresponds to a dividend of EUR 34.20 per eligible share across a total of 50,000 shares as of the date of the distribution. Due to the net loss as recorded in the German GAAP Financial Statements 2017, no distributions were made in respect of the financial year ended 31 December 2017. The Company does not expect to pay dividends for the financial year 2018. In the mid to long-term, however, the Company expects that a certain portion of its distributable profits (i.e. the balance sheet profit as shown in its annual financial statements in accordance with the German GAAP), will be distributed to its shareholders. The Company's ability to pay future dividends depends on the amount of distributable retained profits. The Company is not in a position to make any statements on the amount of future retained profits or on whether retained profits will exist at all in the future. Consequently, the Company is unable to guarantee

		that dividends will be paid in future years. The Company intends to use a major part of its profits, if any, less the proportion to be allocated to the statutory reserve, for financing further growth of its business in the coming financial years and to pay dividends only to the extent that this is consistent with its business and investment planning.
Section D – Risks		
D.1	**Central information about the central risks inherent to the Issuer and its industry**	**Risks related to markets in which the STS Group operates** - Changes in the global economic and political environment may adversely affect the STS Group's business; - The development of adverse economic and political conditions in the major regional markets in which the STS Group operates or in which its customers use its products could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects; - The success of the STS Group's business, especially in the commercial vehicle segment, is directly linked to demand for automobile and truck sales, especially medium heavy and light commercial vehicles as well as passenger car models; - The STS Group depends on its ability to adapt to changing technologies and new trends and to further develop new products. If it fails to introduce attractive new products for the automobile and trucking industries, it may not remain competitive and could lose market share; - The STS Group currently faces competition from established competitors and expects to face competition from other companies in the future. It may not be successful in competing in the overall automobile and trucking industries; - General disruptions in the automobile and trucking supply chain could have an adverse effect on the Company´s business, even if the Company itself does not experience any shortages in its supplier base; - The Company´s expansion into new, and growth in existing, geographical markets, including emerging markets, may fail or not produce the desired results; - The STS Group may not be able to successfully implement its organic growth strategy for the future. The failure to implement such organic growth strategy could result in a loss of market share in the sales of its products in the automobile and trucking industries; - The STS Group is, and expects to continue to be, exposed to foreign currency exchange risk; - Deliveries of the STS Group's products to its customers could be delayed, hindered or made significantly more expensive by export controls or the imposition of custom duties; - The implementation of economic protectionist policies in the United States by the U.S. administration or policies which adversely affect the automobile and trucking industries and could ultimately lead to increased global tensions, which could adversely affect the businesses of the STS Group's customers and may adversely affect its own business; - Conflicts, military action, terrorist attacks and general instability throughout the world could materially adversely affect the global demand in the automobile and trucking industries and the STS Group´s business;

		Risks related to the STS Group's business - The STS Group relies on a limited number of large key customers and customer relationships, the loss of which could materially adversely affect its business, financial condition, results of operations, cash flows and prospects; - The inability of the STS Group's suppliers to deliver necessary raw materials, components or equipment for its business could adversely impact its ability to meet the demand of its customers or to operate its business at current production levels; - The STS Group may not be able to offset continued price reductions originating from so-called Agreed Long-term Agreements ("**LTAs**") with OEMs through productivity gains or other measures such as mergers and acquisitions, joint ventures and low cost sourcing. The inability to offset such price reductions by the STS Group could have a material adverse effect on its business; - Unexpected increases in the prices for raw materials, components and equipment necessary for the manufacture of the STS Group's products could lead to price increases which cannot be passed on to its customers or otherwise offset through other cost saving measures; - Operational disruptions or lengthy periods of production downtime affecting the delivery of the STS Group's products may affect its ability to deliver its products on time or at all; - The STS Group has entered into a number of agreements in connection with its recent acquisitions, including certain transition services agreements as well as into management service agreements with its shareholder and other agreements which could expose it to significantly higher than expected costs; - The STS Group may become subject to product liability claims and claims regarding specific performance of or defects in its products; - Competition laws may expose the STS Groups to a liability risk and limit its ability to complete acquisitions to grow its business in certain markets; - The STS Group may not realize all of the sales expected from its existing order backlog; - If the STS Group is unable to process its order intake and its order backlog quickly and efficiently, its customers may look for alternative suppliers for its products, especially considering the size of the automobile and trucking markets; - The STS Group may be unable to efficiently integrate past or future acquisitions on schedule or on anticipated terms and conditions, or at all, and past or future acquisitions may not produce the desired or anticipated results; - The STS Group may have difficulty implementing best management practices across its business operations as a result of its decentralized management structure; - The STS Group relies on complex IT systems and networks which may be vulnerable to damage, interruptions or cyber-attacks as a result of increased hacker activity or fraud; - Data protection breaches and violations could harm the STS Group's reputation, could constitute regulatory offences or criminal offences, and could give rise to claims

		for compensatory damages as well as fines against it; - The STS Group's operations depend on qualified executives and key employees; - Strikes or other industrial actions could disrupt the STS Group's operations; - There can be no assurance that the temporary employees the STS Group uses are as well trained, qualified or reliable as its permanent employees, possibly resulting in a decline in service levels or a significant increase in defect or occupational accident rates, any of which could have a material adverse effect on STS Group´s business, financial condition, results of operations, cash flows and prospects. **Risks related to the Company's financial profile** - The STS Group may not be able to generate sufficient cash flows or obtain additional financing to finance its business operations. - The STS Group currently finances its business in part through third party financing, loans from its sole shareholder and factoring and leasing agreements. The STS Group may require additional financing in the future, and such financing arrangements may not be available on favorable terms, or at all, and may be dilutive to shareholders in case of equity capital transactions. -- - Pro Forma Financial Information describes only a hypothetical situation, and therefore, does not reflect the actual results of operation for the STS Group. - The mandatory application of new IFRS accounting standards may lead to potential significant changes in the consolidated financial statements of the STS Group for the financial years beginning on or after 1 January 2018 and may restrict the ability of investors to use such financial information for estimate forecasts of its future results of operation. **Risks related to legal, regulatory and tax issues** - Non-compliance with existing laws and regulations in many jurisdictions or changes in any such laws and regulations could require the STS Group to take costly additional steps to ensure future compliance and potentially require recalls; - The STS Group is currently in dispute with certain parties in relation to some of its recent acquisitions; - The STS Group could be unsuccessful in adequately protecting its intellectual property, technological know-how and trademarks and there is a risk that it might infringe upon the intellectual property rights of others; - The STS Group's insurance coverage could prove inadequate to cover all risks it might face; - The STS Group could be held liable for soil, water or groundwater contamination or for risks related to hazardous materials; - The STS Group has to comply with anti-bribery and foreign sanctions laws. Failure to comply with such laws could result in severe criminal or civil sanctions; - The Company is a holding company, whose liquidity depends on dividend payments made by its subsidiaries; - The STS Group is subject to the tax laws and regulations of Germany and numerous other countries. Its tax burden may increase as a consequence of current or future tax

		assessments or court proceedings in connection with changes in domestic or foreign tax laws and double taxation treaties or changes in the application or interpretation thereof; - The Company's current risk management system and its lack of an integrated compliance system may not enable it to prevent and/or identify violations of law including corruption, employee fraud or other criminal or unauthorised activities, and to identify and evaluate all of the relevant risks to the Company and enable the Company to take appropriate countermeasures, particularly in light of its expansion into Asia.
D.3	**Key information about the central risks that are unique to the securities**	**Risks related to the shares of STS Group and the listing** - The shares may not be a suitable investment for all investors. Potential investors should carefully consider the risks, particular circumstances and consequences of an investment and the information contained or incorporated by reference in this prospectus or any applicable supplement and might seek legal advise prior to making an investment with respect to the Shares.; - There is no existing market for the Shares of the STS Group and an active or liquid market might not develop for the Shares; - The share price and trading volume of the Company's shares could fluctuate significantly, and investors could lose all or part of their investment; - Even if all Offer Shares are placed in the Offering, the Company's largest shareholder mutares AG (Selling Shareholder) will be able to continue to exercise substantial influence over the Company and its business activities. The interests of the Company's largest shareholder could conflict with the interests of its other shareholders; - Future sales by the Company's shareholders could depress the price of its Shares; - Future offerings of equity or debt securities by the Company could adversely affect the share price of itsshares, and future capitalization measures could substantially dilute the interests of its existing shareholders; - The Company's ability to pay dividends depends, among other things, on its financial condition and results of operations; - An investment in the shares of the Company by an investor whose principal currency is not Euro may be affected by exchange rate fluctuations; - The Company will incur increased costs as a result of operating as a public company, and its management will be required to devote substantial time to additional compliance initiatives and to additional legal, regulatory and administrative requirements. If the Company fails to comply with these requirements, it will possibly damage its reputation and may affect an investment in the Shares; - Any stabilization measures affecting the stock exchange price or market price of the shares of the Company in order to offset any negative price fluctuations in the short term, can result in a higher stock exchange price or market price of the shares in the Company compared to prices without these measures.

Section E – Offering		
E.1	**Total net proceeds and estimated total costs of the issue/the offer**	The Company will receive the proceeds (after deduction of the Joint Bookrunners' commissions and other costs to be borne by the Company) resulting from the sale of the New Shares. The Company will not receive any proceeds from the sale of the Sale Shares and the Greenshoe Shares, which will instead be received by the Selling Shareholder. Assuming full placement of 1,000,000 New Shares at an Offer Price of EUR 29.00, which is the mid-point of the price range set for the Offering of the Offer Shares (as defined in C.1), the total gross proceeds to the Company from the Offering will be approximately EUR 29 million. The Company will bear the costs related to the placement of the New Shares and the listing of its entire share capital. Based on the aforementioned assumptions, the Company estimates that the commissions payable to the Joint Bookrunners and attributable to the Company (including a possible discretionary fee) together with the other costs attributable to the New Shares and the listing of the entire share capital will amount to approximately EUR 2,612,082. Accordingly, assuming an Offer Price at the mid-point of the Price Range, the net proceeds from the Offering to the Company (after deducting the Joint Bookrunners' commissions and other costs attributable to the Company) (the **"Net Proceeds"**) will amount to approximately EUR 26,387,918. The decision on the number of the New Shares to be placed will be made on 29 May 2018. The Selling Shareholder will receive the proceeds from the sale of the Sale Shares and the Greenshoe Shares, to the extent the Greenshoe Option is exercised by the Joint Bookrunners, (after deduction of the Joint Bookrunners' commissions and other costs to be borne by the Selling Shareholder with respect to the Sale Shares and Greenshoe Shares). Assuming full placement of the 1,000,000 Sale Shares and of the 300,000 Greenshoe Shares at an Offer Price of EUR 29.00, which is the mid-point of the Price Range for the Offering of the Offer Shares, the total gross proceeds to the Selling Shareholder from the Offering will be approximately EUR 37.7 million. The Selling Shareholder will bear the costs related to the placement of the Sale Shares and the Greenshoe Shares. Based on the aforementioned assumptions, the Company estimates that the commissions payable to the Joint Bookrunners and attributable to the Selling Shareholder (including a possible discretionary fee) together with the other costs attributable to the Sale Shares and Greenshoe Shares will amount to approximately EUR 2,031,057. Accordingly assuming an Offer Price at the mid-point of the Price Range, the Net Proceeds from the Offering to the Selling Shareholder (after deducting the Joint Bookrunners' commissions and other costs attributable to the Selling Shareholder) will amount to approximately EUR 35,668,943. If the Offer Price is set at the lower or higher end of the Price Range, the Net Proceeds both to the Company and the Selling Shareholder will be lower or higher than as shown above (i.e. at the mid-point of the Price Range).

E.2a	**Reasons for the offer, intended purpose of the proceeds, estimated net proceeds**	The Company seeks to grow its business in the global industry automotive supply business. The issue proceeds generated from the Offering shall primarily be used for the future development of the STS Group's business, in particular, for the expansion in China and America, for an increasing shift of production capabilities towards Eastern Europe, for an increase in automation of manufacturing processes, as well as for focusing on technological trends. The Company estimates that it will use approximately 40% of the issue proceeds to increase the speed of the roll out of the STS Group's China strategy. The Company estimates investments of 32% of the issue proceeds for improving the STS Group's footprint in Europe by increasing further production capacities in low-cost countries in Eastern Europe. The Company plans to use approximately 14% of the issue proceeds to expand the business in America. To further increase the automation of the manufacturing processes within the STS Group, the Company estimates it will invest approximately 8%. Finally, the Company estimates that it will need to invest approximately 6% to develop suitable solutions for new technological trends such as autonomous driving and e-mobility. The Selling Shareholder has informed the Company that it intends to reduce its shareholding in the Company through the placement of the Sale Shares (and the Greenshoe-Shares, if any) and that it believes the Offering to be in the interest of the Company as the Offering supports the STS Group's growth and development. At the same time the placement of the Sale Shares (and the Greenshoe-Shares, if any) by the Selling Shareholder will serve to create a freefloat which will help to ensure an attractive liquidity in the Shares.
E.3	**Description of the terms of the offer**	The Offering consists of a total of 2,300,000 ordinary bearer shares of the Company with no par value (*Stückaktien*), each such share with a notional value of EUR 1.00 in the share capital of the Company and with full dividend rights as of 1 January 2018 comprising: • 1,000,000 New Shares; • 1,000,000 existing Sale Shares; and • 300,000 existing Over-Allotment Shares. The Offering consists of a public offering of the Offer Shares in the Federal Republic of Germany (**"Germany"**) and the Grand Duchy of Luxembourg **("Luxembourg"**) (the **"Public Offering"**) and private placements in certain jurisdictions outside Germany and Luxembourg including a private placement in the United States of America (**"United States"** or **"U.S."**) together, with the Public Offering, the **"Offering"**). In the United States, the Offer Shares are being offered for sale only to qualified institutional buyers as defined in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended (the **"Securities Act"**) in reliance on the Rule 144A exemption or another exemption under the Securities Act. Outside the United States, the Offer Shares are being offered in “offshore transactions" within the meaning of, and in reliance on, Regulation S under the Securities Act. The Offer

Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States.

The price range within which subscription offers may be submitted is EUR 26.00 and EUR 32.00 per Offer Share (the "**Price Range**").

The offer period during which subscription offers can be submitted will commence on 15 May 2018 and is expected to end on 29 May 2018 (i) at 12:00 p.m. (noon) Central European Summer Time ("**CEST**") for retail investors (natural persons) and (ii) at 3 p.m. CEST for institutional investors (the **"Offer Period"**).

Institutional investors may place subscription offers directly with the Joint Bookrunners during the Offer Period.

Private investors can make subscription offers in the Public Offering in Germany on the day after the beginning of the Public Offering through the subscription functionality of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) in the XETRA trading system for the collection and settlement of subscription offers (the "**Subscription Functionality**").

Investors who want to submit subscription offers for the Offer Shares through the Subscription Functionality must submit them to their respective depositary bank between 16 May~~,~~ 2018 and 29 May 2018, at 12:00 (noon) CEST.

After expiry of the Offer Period, expected to take place on or around 29 May 2018, the final number of the Offer Shares and the offer price (the "**Offer Price**") will be determined by the Company and the Selling Shareholder after consultation with the Joint Bookrunners using the order book prepared during the bookbuilding process. The final number of the Offer Shares and the Offer Price are expected to be published on or around 29 May 2018 by way of an ad hoc announcement via various media distributed across the entire European Economic Area (*Medienbündel*) and on the Company's website (www.sts.group) in the Investor Relations sections.

The Company, the Selling Shareholder and the Joint Bookrunners entered into an underwriting agreement (the **"Underwriting Agreement"**) with regard to the Offer Shares on 14 May 2018. Under this agreement, the Joint Bookrunners agreed to offer the New Shares and the Sale Shares in their own name at the best possible conditions as part of the Offering if certain conditions occur. Moreover, to the extent the Over-Allotment Option is exercised, under the Underwriting Agreement the Joint Bookrunners are entitled, but not obligated, to offer up to 300,000 Over-Allotment Shares (the **"Over-Allotment"**). In this context, the Selling Shareholder granted the Joint Bookrunners the option to acquire additional shares up to 300,000 in total (the **"Greenshoe Shares"**) until the 30th calendar day after trading in the Company‘s shares has commenced in the stock market at the Offer Price minus the agreed commissions and costs (the **"Greenshoe Option"**) and thereby to satisfy the retransfer obligation under the securities loan.

Delivery of the Offer Shares against payment of the Offer Price

		and the customary securities commissions payable to the depositary banks is expected to take place on 1 June 2018. The Offer Shares alloted will be made available to investors as co-ownership interests in the respective global share certificate.
E.4	**Interests and conflicts of interests pertaining to the offer**	The Joint Bookrunners are acting as underwriters in the Offering and will receive a commission upon successful completion of the Offering. The amount of the Joint Bookrunners' commission will depend on the volume of the Offering and the Offer Price. The Joint Bookrunners therefore have an interest that as many Offer Shares as possible are placed at the highest price possible. Some of the Joint Bookrunners or their affiliates have, and may from time to time in the future continue to have, business relations with the Company or the Selling Shareholder or may perform services for the Company or the Selling Shareholder in the ordinary course of business. The Selling Shareholder will receive the proceeds from the sale of the Sale Shares and the Greenshoe Shares and therefore, the Selling Shareholder has an interest in the successful implementation of the Offering. Since the Company will receive the Net Proceeds from the Offering of the New Shares and this will strengthen the equity capital basis of the Company, the Company's current parent company, the Selling Shareholder, has an interest in the successful implementation of the Offering. Furthermore, the members of the management board and the Selling Shareholder have entered into a participation bonus agreement in March 2018 under which the management board's members are entitled to receive partial payments of the positive amount of any net proceeds the Selling Shareholder receives out of its investment in STS Group AG. Therefore, the members of the management board have an own interest in a successful completion of the Offering. Other than the interests described above, there are no material interests, in particular no material conflicts of interest, with respect to the Offering.
E.5	**Persons/enterprises, who/which offer the security for sale; lock-up agreements and lock-up period**	The Offer Shares are offered for sale by the Joint Bookrunners. In the Underwriting Agreement between the Company, the Selling Shareholder and the Joint Bookrunners entered into on 14 May 2018, the Company has agreed that it will not, for a period of six months following the admission of the Company's shares to trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (which is currently expected to take place on 30 May~~,~~ 2018), undertake nor agree to undertake and for a consecutive period of further six months will not undertake nor agree to undertake without the prior written consent of the Joint Bookrunners any of the following actions: (i) announce or effect any capital increase from authorized capital, (ii) propose a capital increase to its general shareholders' meeting,

		(iii) announce, effect or propose to the general shareholders' meeting any issuance of securities with conversion rights into or option rights with respect to shares of the Company except for the issue of stock options under an employee stock option program or (iv) enter into or announce a transaction or perform any action economically similar to those described in (i) through (iii). With regard to its shares in the Company~~,~~ that are not subject to the sale of the Sale Shares or the Over-Allotment, the Selling Shareholder has agreed, for a period of six months following the admission of the Company's shares to trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and for a consecutive period of further six months without prior written consent of the Joint Bookrunners, (i) not to offer, pledge, allot, distribute, sell, contract to sell, sell any option or contract to purchase, transfer or otherwise dispose of, directly or indirectly, any shares of the Company or any other securities of the Company convertible into or exercisable or exchangeable for the shares of the Company held by it as of the date of this Prospectus nor (ii) to propose a capital increase or the issuance of securities with conversion rights into or option rights with respect to shares of the Company to the general shareholders' meeting of the Company, (iii) nor to enter into or announce any transaction or perform any action economically similar to those described in (i) and (ii) above.
E.6	**Amount and percentage of the dilution directly resulting from the offer**	The net book value of the Company equals the reported equity of STS Group AG, determined by deduction of total liabilities from total assets. As at 31 December 2017, this amounts to approximately kEUR 60,666 (divided by 5,000,000 existing shares as the date of the Prospectus). Therefore, the net book value per share amounts to EUR 12.13. Assuming that all 1,000,000 New Shares are sold at an Offer Price of EUR 29.00 per New Share (mid-point value of the Price Range) during the Offering, the Company receives net issue proceeds in the amount of EUR 26,387,918; this takes into account assumed total costs of the Offering in an amount of up to approximately EUR 2,612,082. The net book value of the Company after the complete implementation of the capital increase in this case amounts to approximately EUR 87,053,918. After the capital increase is implemented in full (i.e. distributed to 6,000,000 existing shares outstanding), a net book value per Share of EUR 14.51 results. To the detriment of new investors, which have previously not participated in the Company and who/which paid for the New Shares an Offer Price of EUR 29.00 per Share (mid-point value of the Price Range) this results in an indirect dilution of approximately EUR 14.49 per Share or approximately 49.97% per Share compared to the Company's net book value after the complete implementation of the capital increase in the amount of EUR 14.51 per Share. Based on the above assumptions, the Offering conversely results from the perspective of the former sole shareholder in a

		direct increase of the net book value of approximately EUR 2.38 per Share or approximately 19.58% per Share.
E.7	**Estimation of the costs that the Issuer or provider charges the investor**	Not applicable. Costs are not charged to the investors either by the Company or the Joint Bookrunners.

2. GERMAN TRANSLATION OF THE SUMMARY

Abschnitt A – Einleitung und Warnhinweise

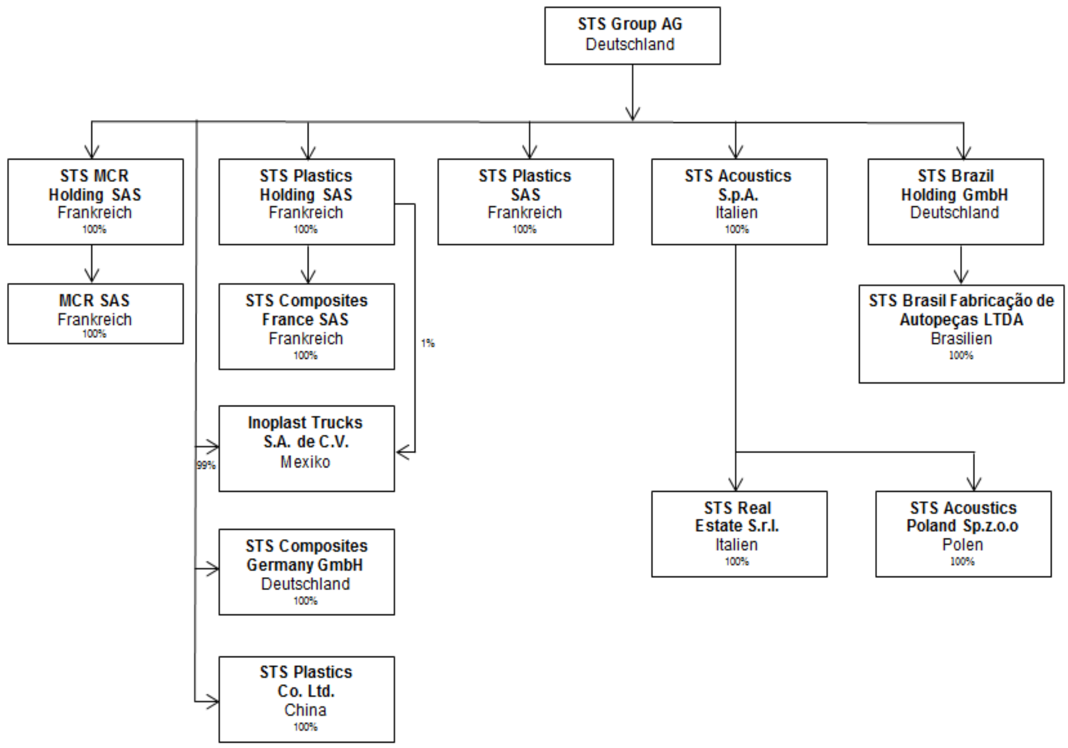
Zusammenfassungen bestehen aus geforderten offenlegungspflichtigen Angaben, die als „Elemente“ bezeichnet sind. Diese Elemente sind in den Abschnitten A – E (A.1 – E.7) fortlaufend nummeriert. Diese Zusammenfassung (die “Zusammenfassung“) enthält alle Elemente, die in eine Zusammenfassung für diese Art von Wertpapier und Emittent aufzunehmen sind. Da einige Elemente nicht behandelt werden müssen, können in der Nummerierungsreihenfolge Lücken auftreten. Selbst wenn ein Element wegen der Art des Wertpapiers und des Emittenten in die Zusammenfassung aufgenommen werden muss, ist es möglich, dass bezüglich dieses Elements keine relevante Information gegeben werden kann. In einem solchen Fall enthält die Zusammenfassung eine kurze Beschreibung des Elements mit dem Hinweis „entfällt“.

A.1	**Warnhinweise**	Die Zusammenfassung sollte als eine Einführung zu diesem Prospekt (der "**Prospekt**") verstanden werden. Anleger sollten jede Entscheidung, in die Angebotsaktien (wie unter Abschnitt C.1 definiert) zu investieren, auf der Grundlage dieses Prospekts als Ganzes treffen. Für den Fall, dass vor einem Gericht Ansprüche auf Grund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger nach den einzelstaatlichen Rechtsvorschriften der Mitgliedsstaaten des Europäischen Wirtschaftsraums die Kosten für die Übersetzung dieses Prospekts zu tragen haben bevor das Gerichtsverfahren eingeleitet wird. Die STS Group AG mit dem Sitz in Hallbergmoos, Landkreis Freising, Deutschland (im Folgenden auch **"Emittentin"** oder **"Gesellschaft"** und gemeinsam mit ihren konsolidierten Tochtergesellschaften im Folgenden auch **"STS Gruppe"** genannt), Hauck & Aufhäuser Privatbankiers Aktiengesellschaft, Frankfurt am Main, Deutschland (nachfolgendend auch **"Hauck & Aufhäuser"**) und MainFirst Bank Aktiengesellschaft, Frankfurt am Main, Deutschland(nachfolgend auch **"MAINFIRST"**) (Hauck & Aufhäuser und MAINFIRST gemeinsam auch die **"Joint Bookrunner"**) übernehmen gemäß § 5 Abs. 2 b Nr. 4 Wertpapierprospektgesetz (WpPG) die Verantwortung für den Inhalt dieser Zusammenfassung einschließlich etwaiger Übersetzungen hiervon. Diejenigen Personen, die die Verantwortung für die Zusammenfassung einschließlich etwaiger Übersetzungen hiervon übernommen haben oder von denen der Erlass ausgeht, können haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, oder sie, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, nicht alle erforderlichen Schlüsselinformationen vermittelt.
A.2	**Zustimmung zur Verwendung des Prospekts durch Finanzintermediäre**	Entfällt. Die Zustimmung zur Verwendung dieses Prospekts für einen späteren Weiterverkauf wurde nicht erteilt.

Abschnitt B – Emittentin		
B.1	**Juristische und kommerzielle Bezeichnung der Emittentin**	Die Firma der Gesellschaft lautet STS Group AG. Die kommerzielle Bezeichnung der Gesellschaft lautet "**STS Gruppe**" oder "**STS**".
B.2	**Sitz, Rechtsform, maßgebliche Rechtsordnung und Land der Gründung der Gesellschaft**	Die Gesellschaft hat ihren Sitz in Hallbergmoos, Landkreis Freising/Deutschland. Die Gesellschaft ist im Handelsregister beim Registergericht München, Deutschland, unter HRB 231926 eingetragen. Die Gesellschaft ist eine deutsche Aktiengesellschaft, die in der Bundesrepublik Deutschland gegründet wurde und deutschem Recht unterliegt.
B.3	**Art der derzeitigen Geschäftstätigkeit und Haupttätigkeiten samt der hierfür wesentlichen Faktoren**	Die STS Gruppe ist nach eigener Einschätzung ein weltweit führender Systemanbieter von Innen- und Außenteilen für Nutzfahrzeuge. Die STS Gruppe entwickelt, produziert und liefert Produkte und Lösungen für akustische und thermische Isolation (sogenannte "soft trim-Produkte") und Komponenten aus Plastik oder Verbundmaterial (sogenannte "hard trim-Produkte") für die Automobil - und Lastkraftwagen (LkW)-Industrie. Die STS Gruppe bietet Teile und Systeme für vier Kategorien von Fahrzeugen an: mittlere und schwere Nutzfahrzeuge (*medium and heavy commercial vehicles – **MHCVs***), leichte Nutzfahrzeuge (*light commercial vehicles – **LCVs***), Landwirtschafts- und Baufahrzeuge (*agriculture and construction vehicles – **ACVs***) und leichte Fahrzeuge (*light vehicles - **LVs***). Zum Kundenstamm der STS Gruppe gehört eine Reihe der großen Automobil- und Nutzfahrzeughersteller, darunter viele Marktführer. Die STS Gruppe hat ihren Hauptsitz in Deutschland und betreibt 16 Werke in sieben Ländern auf drei Kontinenten mit Produktionsstätten in ihren regionalen Hauptmärken in Europa, China, in der Freihandelszone gemäß dem Nordamerikanischen Freihandelsabkommen ("**NAFTA-Markt**") und in Südamerika, wobei die Produktionsstätten strategischer Weise in der Nähe ihrer Kunden gelegen sind. Die STS Gruppe hat vier Forschungs- und Entwicklungszentren in der Nähe ihrer Kunden, zwei in Frankreich, eine in Italien und eine in China. Die Geschäftstätigkeit der STS Gruppe ist in drei Geschäftsbereiche unterteilt: • Plastiksegment: Dieser Bereich beinhaltet alle hard trim-Produkte. Er umfasst die Produktion von hard trim-Applikationen für die Kunden der STS Gruppe. Hard trim-Applikationen werden für Außenteile (Stoßstangen, Seitenverkleidungen) oder Innenmodule (Kühlboxen und Regalelemente) verwendet. Darüber hinaus verfügt das Segment über eigene Kapazitäten für die Lackierung von Kunststoffen. Das Plastiksegment existiert erst seit 2017. • Akustiksegment: Dieser Bereich umfasst alle soft trim-Produkte. Soft trim-Applikationen haben akustische und thermische Eigenschaften, die Lärm verringern und vor Hitze schützen. • Segment für Mischverbundstoffe (*mixed composites*

		recycables – ***Materials***): Dieses Segment umfasst die Produktion von Halbfabrikaten, namentlich Pressmatten aus duroplastischen Reaktionsharzen und Glasfasern (*Sheed Molded Compound - SMC*), Faserformmassen (*Bulk Molding Compound – BMC*) und hochentwickelte Faserformmassen (*Advanced Molding Compound – AMC*). Die Halbfabrikate werden gruppenintern für hard trim-Applikationen genutzt und an externe Dritte geliefert. Dieser Bereich existiert erst seit 2017. Die Historie der STS Gruppe, insbesondere hinsichtlich der Geschäftsjahre zum 31. Dezember 2017 und zum 31. Dezember 2016, ist von bedeutsamen Wachstum durch externe Akquisitionen gekennzeichnet. Die STS Gruppe ist ursprünglich aus dem Erwerb des in Italien ansässigen Nutzwagen- und Leichtfahrzeuggeschäfts des Automobillieferanten Autoneum Gruppe hervorgegangen, welches 2013 von dem Aktionär der STS Gruppe, der mutares AG (nachfolgend auch der **"Abgebende Aktionär"**), im Wege eines Carve-out erworben wurde. Nach dem Aufbau der STS Marke in 2013, begann die STS Gruppe 2015 mit der Errichtung einer neuen Produktionsstätte in Polen, um zusätzliche Produktionskapazitäten anbieten und die Nähe zu ihren Kunden bewahren zu können. Im Dezember 2016 erwarb die STS Gruppe das Lkw-Geschäft des französischen Automobilzulieferers Novares France (vormals Mecaplast France SAS), wodurch der STS Gruppe der Einstieg in das Hard Trim-Geschäft gelang (die **"Bellini Akquisition"**). Mit der Akquisition des LkW-Teile-Zulieferer-Geschäfts der Plastic Omnium Gruppe im Juni 2017, welche einen Anteilskauf und eine Anteilsübertragung betreffend fünf Unternehmen (STS Plastics Co., Ltd., Inoplast Trucks S.A. de C.V., STS Composites France SAS, MCR S.A.S. und STS Composites Germany GmbH) umfasste (die **"Dolmen Akquisition"**), erweiterte die STS Gruppe ihr Produktprotfolio von Duroplast Außenteilen und -modulen für LkW-Kabinen und leichte Nutzfahrzeuge. Des Weiteren expandierte die STS Gruppe durch den Erwerb der Produktionsstätte der Autoneum Gruppe in Brasilien am 30. September 2017 im Wege eines Anteilskaufs betreffend das gesamte Grundkapital an der Minas Têxteis – Fabricação de Peças e Partes Automotivas Ltda. ihre Geschäftstätigkeit nach Süd-Amerika (die **"Opus Akquisition"**). Im Geschäftsjahr zum 31. Dezember 2017 generierte die STS Gruppe Umsätze von TEUR 309.993 und ein EBITDA von TEUR 55.036. Auf einer Pro-forma Basis, wobei angenommen wird, dass die Dolmen Akquisition und die Opus Akquisition zum 1. Januar 2017 vollzogen wurden, generierte die STS Gruppe im Geschäftsjahr zum 31. Dezember 2017 pro forma Umsätze von TEUR 425.226 und ein pro forma EBITDA von TEUR 65.814. Die vorstehenden Pro-forma-Umsatz- und EBITDA-Kennzahlen basieren auf den ungeprüften Pro-forma-Finanzinformationen der STS-Gruppe (für weitere Informationen siehe Abschnitt B.8). Ein wesentlicher Teil des Umsatzes wird durch langfristige Verträge mit den Kunden erzielt, bei denen die STS Gruppe ihren erwarteten Auftragsbestand anhand der Vertragsdauer, der Lebensdauer des jeweiligen Fahrzeugmodells, für das sie

		Pkw- und Lkw-Teile liefert, der Anzahl der Facelifts, die ein bestimmtes Modell während der Vertragsdauer durchlaufen wird, und der Einschätzung der zukünftigen Marktentwicklung durch die STS-Gruppe abschätzen kann. Der Auftragsbestand der STS Gruppe zum 31. Januar 2018 für die Jahre 2018 bis 2022 beläuft sich auf geschätzte EUR 1,9 Mrd. Die STS Gruppe schätzt, dass sie aus dem aktuellen Auftragsbestand in Bezug auf die prognostizierten Umsätze für die Geschäftsjahre 2018 bis 2022 wie folgt Umsätze generieren wird: 99% in 2018, 94% in 2019, 84% in 2020, 77% in 2021 und 72% in 2022, wobei die restlichen Prozentsätze des prognostizierten Umsatzes im jeweiligen Jahr durch Neugeschäfte mit bestehenden oder neuen Kunden generiert werden. Die STS Gruppe liefert ihre Produkte direkt an Originalhersteller (original equipment manufacturers - OEMs). Sie ist ein Tier 1-Lieferant für MCHVs, LCVs und AVCs mit OEM-Kunden wie Volvo Trucks, Daimler Trucks, Scania, IVECO und FCA. Ein Tier 1 Lieferant (First Tier Supplier) ist ein Unternehmen, das Teile und Materialien direkt an einen Hersteller von Waren liefert. Ferner ist die STS Gruppe Tier 2-Lieferant für LVs mit OEM-Kunden wie Volvo, PSA und Renault. Ein Tier-2-Lieferant (Second Tier Supplier) ist ein Unternehmen, das Materialien oder Teile an ein anderes Unternehmen liefert, das diese dann an einen Hersteller liefert.
B.4a	**Wichtigste jüngste Trends, die sich auf die Emittentin und die Branchen, in denen sie tätig ist, auswirken**	Nach Einschätzung der STS Gruppe sind ihre Märkte von zahlreichen fundamentalen Trends gekennzeichnet: *Die Nachfrage betreffend Nutzfahrzeuge*: Es wird erwartet, dass der weltweite Nutzfahrzeuge- und Automobilmarkt von 2017 bis 2022 um insgesamt 2,1% (CAGR) wachsen wird, mit einer Wachstumsrate von 1,2% betreffend mittlere und schwere Nutzfahrzeuge, insbesondere LKWs (Quelle: Einschätzungen der Gesellschaft, basierend auf öffentlich verfügbaren Marktdaten). Bei leichten Nutzfahrzeugen rechnet man mit einem langsameren Wachstum als der weltweite Trend mit niedrigeren Wachstumsraten von 2017 bis 2022. *Die wichtigsten automobilen Trends*: Die Nachfrage in den wichtigsten Endmärkten der STS-Gruppe wird zunehmend von einer Reihe von Trends beeinflusst, insbesondere von der Tendenz zur Emissionsreduzierung und einer zunehmenden Fokussierung auf Elektromobilität, die maßgeblich von den Emissionszielen in den verschiedenen Regionen der Welt getragen wird (Quelle: Lazard and Roland Berger, Global Automotive Supplier Study 2018. Die STS Gruppe spricht diese Trends an, da ihre Materialien leichte Produkte anbieten, die das Gesamtgewicht der Fahrzeuge reduzieren und zu niedrigeren Emissionen bei gleichzeitig niedrigeren Produktionskosten für strukturelle Teile im Vergleich zu Metallprodukten führen. Weitere wichtige Trends betreffen die Verkürzung der Modellebensdauer von Nutzfahrzeugen, was wiederum zu einer Zunahme von kleineren und mittleren Losgrößen von möglichen Kunden führt. Des Weiteren erwartet die STS Gruppe, dass der Trend hin zum autonomen Fahren eine Anpassung des Produktangebots erforderlichen machen wird, um die speziellen Eigenschaften von elektronischen und elektrischen Geräten erfüllen zu können.

		Die Kosten für Rohstoffe: Der Einkaufspreis von bestimmten Rohstoffen, die die STS Gruppe in ihrer Herstellungskette nutzt, wird im Vergleich zum Geschäftsjahr 2017 voraussichtlich ansteigen, was insbesondere die Produktionskosten von Materials-Produkten beeinflussen wird. Beispielsweise schätzt das Management der STS Gruppe, dass der Einkaufspreis für Aluminium und Stahl im Jahr 2018 um ca. 5% verglichen mit dem Einkaufspreis dieser Rohstoffe im Jahr 2017 ansteigen wird.
B.5	**Organisationsstruktur und Stellung der Emittentin innerhalb der Gruppe**	Die nachfolgende Darstellung gibt in vereinfachter Form einen Überblick über die Gruppenstruktur der STS Gruppe und die Stellung der Gesellschaft und ihrer Tochtergesellschaften zum Datum dieses Prospekts:
		
B.6	**Name jeder Person, die eine direkte oder indirekte Beteiligung am Eigenkapital der Emittentin oder einen Teil der Stimmrechte hält, die nach den für die Emittentin geltenden nationalen Rechtsvorschriften meldepflichtig sind, samt der Höhe der Beteiligungen der einzelnen Personen (soweit der Emittentin bekannt)**	Die nachfolgende Tabelle zeigt die Aktionärsstruktur der Gesellschaft (i) zum Datum des Prospekts, und die Aktionärsstruktur (ii) unter der Annahme einer vollständigen Platzierung der Neuen Aktien (wie unter C.1 definiert) und der Umplatzierungsaktien (wie unter C.1 definiert) sowie (iii) unter der Annahme einer vollständigen Platzierung der Neuen Aktien und der Umplatzierungsaktien und der vollständigen Ausübung der Greenshoe Option (wie unter C.1 definiert).

	Aktienverteilung zum Datum des Prospekts		Aktienverteilung nach Durchführung des öffentlichen Angebots (vor Platzierung der Mehrzuteilungsaktien)		Aktienverteilung nach Durchführung des öffentlichen Angebots (unter Einschluss der Platzierung der Mehrzuteilungsaktien)	
Aktionär	**Aktien**	**% (gerundet)**	**Aktien**	**% (gerundet)**	**Aktien**	**% (gerundet)**
Abgebender Aktionär	5.000.000	100	4.000.000	66,67	3.700.000	61,67
Free Float Einbezogen sind alle Aktioäre, die weniger als 5%des Kapitals der Gesellschaft halten	0	0	2.000.000	33,33	2.300.000	38,33
Gesamtaktienanzahl	**5.000.000**	**100**	**6.000.000**	**100**	**6.000.000**	**100**

	Angaben, ob unterschiedliche Stimmrechte bestehen	Jede Aktie der Gesellschaft berechtigt zu einer Stimme in der Hauptversammlung. Beschränkungen des Stimmrechts oder abweichende Stimmrechte bestehen nicht.
	Angabe, ob an Emittentin unmittelbare oder mittelbare Beteiligungen oder Beherrschungs-verhältnisse bestehen, wer diese Beteiligungen hält bzw. diese Beherrschung ausübt und welcher Art die Beherrschung ist.	Der Abgebende Aktionär wird auch nach Durchführung der IPO-Kapitalerhöhung sowie im Falle der Ausübung der Mehrzuteilungsoption (wie unter E.3 definiert) mindestens 61,6% der Aktien der Gesellschaft halten. Er verfügt damit allein über eine Anzahl von Stimmrechten, die für Beschlussfassungen in der Hauptversammlung ausreichen und ihm daher die Ausübung eines beherrschenden Einflusses auf die Gesellschaft ermöglichen kann.
B.7	**Ausgewählte wesentliche historische Finanzinformationen der Emittentin, die für jedes Geschäftsjahr des von den historischen Finanzinformationen abgedeckten Zeitraums vorgelegt werden;**	Die Finanzinformationen in den folgenden Tabellen stammen von oder sind aus den geprüften Konzernabschlüssen der Gesellschaft für die Geschäftsjahre zum 31. Dezember 2017 und zum 31. Dezember 2016 (mit Vergleichszahlen für das Geschäftsjahr zum 31. Dezember 2015) (zusammen die "**Geprüften Konzernabschlüsse**") sowie den internen Buchhaltungsunterlagen und dem Management-Reporting-System der Gesellschaft abgeleitet. Die Finanzinformationen für das Geschäftsjahr zum 31. Dezember 2015 wurden den Vergleichszahlen, die in den Geprüften Konzernabschlüssen der Gesellschaft für das Geschäftsjahr zum 31. Dezember 2016 enthalten sind, entnommen, während die Finanzinformationen für das Geschäftsjahr zum 31. Dezember 2016 aus den in den geprüften konsolidierten Finanzinformationen der Gesellschaft für das Geschäftsjahr zum 31. Dezember 2017 enthaltenen Vergleichsinformationen extrahiert wurden. Die Geprüften Konzernabschlüsse wurden in Übereinstimmung mit den Internationalen Rechnungsstandards, wie sie in der Europäischen Union anzuwenden sind (*International Financial Reporting Standards - "**IFRS**"*), erstellt. Sofern nicht anders angegeben, bezieht sich der Begriff "Geschäftsjahr" auf ein Geschäftsjahr der Gesellschaft, d.h. ein Geschäftsjahr, das am 1. Januar eines Kalenderjahres beginnt und am 31. Dezember desselben Kalenderjahres endet. Sofern die Finanzinformationen in den folgenden Tabellen als "geprüft" bezeichnet werden, bedeutet dies, dass sie den

		Geprüften Konzernabschlüssen entnommen wurden. Die Bezeichnung "ungeprüft" wird in den folgenden Tabellen verwendet, um Finanzinformationen anzugeben, die nicht den Geprüften Konzernabschlüssen entnommen wurden, sondern die entweder aus den internen Buchhaltungsunterlagen oder den Management-Berichtssystemen der Gesellschaft stammen, abgeleitet wurden oder auf Berechnungen dieser Zahlen basieren oder aus den Geprüften Konzernabschlüssen neu berechnet wurden. Die in Klammern dargestellten Finanzdaten kennzeichnen das Negativ der jeweils dargelegten Zahl.

Ausgewählte Finanzinformationen aus der Konzern-Gewinn- oder Verlustrechnung

Die nachfolgende Tabelle zeigt Finanzinformationen aus der Konzern-Gewinn- oder Verlustrechnung und ausgewählte Finanzinformationen aus der Segmentberichterstattung der Gesellschaft für die Geschäftsjahre zum 31. Dezember 2017, 2016 und 2015.

	Für das Geschäftsjahr zum 31. Dezember		
	2017[1]	**2016[1]**	**2015[1]**
in TEUR		(geprüft)	
Umsatzerlöse	309.993	136.159	134.527
Davon: Plastics Segment[2]	162.856	0	-
Davon: Acoustic Segment	132.635	136.159	134.527
Davon: Materials Segment[3]	14.502	0	-
Erhöhung oder Verminderung des Bestands an fertigen und unfertigen Erzeugnissen	2.450	(1.276)	(1.472)
Sonstige betriebliche Erträge	55.735	5.597	1.704
Materialaufwand	(190.555)	(85.188)	(84.287)
Personalaufwand	(75.619)	(33.304)	(32.646)
Aufwendungen aus Abschreibungen	(8.177)	(2.536)	(2.918)
Sonstige betriebliche Aufwendungen	(46.967)	(10.610)	(11.265)
Zinsen und ähnliche Erträge	56	1	72
Zinsen und ähnliche Aufwendungen	(3.072)	(867)	(1.329)
Ergebnis vor Steuern	**43.844**	**7.976**	**2.386**
Ertragsteueraufwand	3.121	(472)	(391)
Ergebnis nach Steuern	**46.965**	**7.504**	**1.995**
Davon den Eigentümern der STS Gruppe zuzurechnen	46.965	7.504	1.995

1 In den Geschäftsjahren 2017, 2016 und 2015 wurden die Bilanzierungs- und Bewertungsmethoden der berichtspflichtigen Segmente nach den Vorschriften des Handelsgesetzbuchs (HGB) angewendet. Die in den Tabellen in diesem Abschnitt dargestellten Zahlen zeigen, dass die STS Gruppe für ihre berichtspflichtigen Segmente bereits in den Geschäftsjahren 2017, 2016 und 2015 die Bilanzierungs- und Bewertungsmethoden nach IFRS angewendet hat.

2 Das Plastics Segment wurde im Zuge der Bellini Akquisition und der Dolmen Akquisition (beide unter B.3 definiert) geschaffen. Daher wurden in den Geschäftsjahren zum 31. Dezember 2016 und 31. Dezember 2015 keine "Segmenterlöse – Dritte" erfasst.

3 Das Materials Segment ist im Zuge der Opus Akquisition (wie unter B.3 definiert) entstanden. Daher wurden in den Geschäftsjahren zum 31. Dezember 2016 und 31. Dezember 2015 keine "Segmenterlöse – Dritte" erfasst.

Ausgewählte Finanzinformationen aus der Konzern-Bilanz

Die nachfolgende Tabelle zeigt ausgewählte Finanzinformationen aus der Konzernbilanz der Gesellschaft zum 31. Dezember 2017, 2016 und 2015.

	Für das Geschäftsjahr zum 31. Dezember		
	2017	**2016**	**2015**
in TEUR		**(geprüft)**	
Anlagevermögen	114.794	35.605	18.529
Umlaufvermögen	160.159	52.911	45.788
Bilanzsumme	**274.953**	**88.516**	**64.317**
Eigenkapital	60.666	16.273	7.276
Langfristige Verbindlichkeiten	45.867	29.451	15.925
Kurzfristige Verbindlichkeiten	168.420	42.792	41.116
Summe Eigenkapital und Verbindlichkeiten	**274.953**	**88.516**	**64.317**

Ausgewählte Finanzinformationen aus der Konzern-Kapitalflussrechnung

Die nachfolgende Tabelle zeigt ausgewählte Finanzinformationen aus der Konzern-Kapitalflussrechnung der Gesellschaft für die Geschäftsjahre zum 31. Dezember 2017, 2016 und 2015.

	Für die Geschäftsjahre zum 31. Dezember		
	2017	**2016**	**2015**
in TEUR		**(geprüft)**	
Ergebnis nach Steuern	**46.965**	**7.504**	**1.995**
Mittelzufluss aus der laufenden Geschäftstätigkeit	(8.667)	1.278	(184)
Mittelabfluss aus der Investitionstätigkeit	(17.230)	(10.305)	(1.146)
Mittelzufluss aus der Finanzierungstätigkeit	39.204	10.383	310
Einfluss der Währungsumrechnung auf die Zahlungsmittel und Zahlungsmitteläquivalente	(80)	0	-
Netto-Anstieg des Finanzmittelbestandes	**13.228**	**1.356**	**(1.020)**

Ausgewählte andere finanzielle Leistungsindikatoren

Die nachfolgende Tabelle zeigt ausgewählte andere finanzielle Leistungsindikatoren für die Geschäftsjahre zum 31. Dezember 2017, 2016 und 2015. Nicht-IFRS Finanzkennzahlen wie Rohertrag, Rohertragsmarge, EBIT, EBITDA, EBITDA Marge und Bereinigtes EBITDA und Bereinigte EBITDA Marge werden nicht nach IFRS verlangt oder gemäß IFRS dargestellt. Diese Nicht-IFRS Finanzkennzahlen sind wichtige Kennzahlen, mit Hilfe derer das Management die Leistung der STS Gruppe überwacht.

in TEUR (sofern nicht anders dargelegt)	**Für das Geschäftsjahr zum 31 Dezember**		
	2017	**2016**	**2015**
	(geprüft, sofern nicht anders dargelegt)		
Rohertrag[1] (ungeprüft)	177.623	55.292	50.472
Rohertragsmarge[2] (in %) (ungeprüft)	57,3	40,6	37,5
EBIT[3,10]	46.860	8.843	3.643
Davon: Plastics segment[4]	(240)	(361)	-
Davon: Acoustics segment	1.254	3.965	3.888
Davon: Materials segment[5]	356	0	-
Davon: Unternehmen/ Konsolidierung	45.490	5.240	(244)
EBITDA[6,10]	55.036	11.378	6.561
Davon: Plastics segment[4]	4.537	(361)	-
Davon: Acoustics segment	3.984	6.501	6.805
Davon: Materials segment[5]	994	0	-
Davon: Unternehmen/ Konsolidierung	45.522	5.240	(244)
EBITDA Marge (in %)[7] (ungeprüft)	17,8	8,4	4,9
Bereinigtes EBITDA[8,10] (ungeprüft)	14.167	7.325	6.922
Bereinigte EBITDA Marge (in %)[9] (ungeprüft)	4,6	5,4	5,1

[1] Der Rohertrag ist definiert als Umsatz zuzüglich Erhöhungen oder Verminderungen des Bestands an fertigen und unfertigen Erzeugnissen sowie der sonstigen betrieblichen Erträge und abzüglich Materialaufwand. Die folgende Tabelle zeigt die Überleitung vom Konzernumsatz zum Konzernrohertrag:

in TEUR	**Für das Geschäftsjahr zum 31 Dezember**		
	2017	**2016**	**2015**
	(geprüft, soweit nicht anders vermerkt)		
Umsatzerlöse	**309.993**	**136.159**	**134.527**
Erhöhung oder Verminderung des Bestands an fertigen und unfertigen Erzeugnissen	2.450	(1.276)	(1.472)
Andere betriebliche Erträge	55.735	5.597	1.704
Materialaufwand	(190.555)	(85.188)	(84.287)
Rohertrag (ungeprüft)	**177.623**	**55.292**	**50.472**

[2] Die Rohertragsmarge ist definiert als Rohertrag (wie definiert und auf die Umsatzerlöse in Fußnote 1 übergeleitet) dividiert durch die Umsatzerlöse der angegebenen Periode.

[3] Das EBIT ist eine Gewinnkennzahl, die sich aus dem geprüften Konzernabschluss der Gesellschaft ableitet. Nach Ansicht der Gesellschaft stellt das EBIT einen nützlichen Indikator für die operative und finanzielle Leistungsfähigkeit der Gesellschaft dar und ermöglicht die Vergleichbarkeit mit dem jeweiligen Vorjahr. Es ist definiert als Ergebnis vor Steuern vor Zinsen und ähnlichen Aufwendungen sowie vor Zinsen und ähnlichen Erträgen (alle wie im geprüften Abschluss der Gesellschaft für die dargestellten Perioden ausgewiesen). Für eine Überleitung des EBIT vom Ergebnis vor Ertragsteuern verweisen wir auf die nachfolgende Tabelle in Fußnote 10.

[4] Das Plastics Segment enstand im Zuge der Bellini Akquisition und der Dolmen Akquisition (beide wie unter B.3 definiert). Daher wurde für das Geschäftsjahr zum 31. Dezember 2015 kein EBIT und EBITDA ausgewiesen.

[5] Das Materials Segment enstand im Zuge der Opus Akquisition (wie unter B.3 definiert-). Daher wurde für das Geschäftsjahr zum 31. Dezember 2016 und zum 31. Dezember 2015 kein EBIT und EBITDA ausgewiesen.

[6] Das EBITDA ist eine Gewinnkennzahl, die sich aus dem geprüften Konzernabschluss der Gesellschaft ableitet. Nach Ansicht der Gesellschaft stellt das EBITDA einen nützlichen Indikator für die operative und finanzielle Leistungsfähigkeit der Gesellschaft dar und ermöglicht die Vergleichbarkeit mit dem jeweiligen Vorjahr. Es ist definiert als Ergebnis vor Steuern vor Zinsen und ähnlichen Aufwendungen, vor Zinsen und ähnlichen Erträgen und Abschreibungen (alle wie im geprüften Abschluss der Gesellschaft für die dargestellten Perioden ausgewiesen). Für eine Überleitung des EBITDA vom Ergebnis vor Ertragsteuern verweisen wir auf die nachfolgende Tabelle in Fußnote 10..

[7] "EBITDA margin" ist definiert als EBITDA (wie in Fußnote 6 definiert und wie aus dem Ergebnis vor Ertragsteuern in der folgenden Tabelle in Fußnote 10 ersichtlich) geteilt durch den Umsatz der betreffenden Periode.

[8] Das bereinigte EBITDA ist eine Gewinnkennzahl, die nach Ansicht der Gesellschaft einen nützlichen Indikator für die operative und finanzielle Leistungsfähigkeit der Gesellschaft ohne bestimmte Einmaleffekte darstellt und die Vergleichbarkeit mit entsprechenden Vorjahren ermöglicht. Es ist definiert als EBITDA (wie oben definiert und aus dem Ergebnis vor Ertragsteuern in der Tabelle in Fussnote 10 übergeleitet) und bereinigt um die Erträge aus günstigen Erwerben infolge der Bellini- Akquisition, der Dolmen Akquisition und der Opus Akquisition sowie Rechts- und Beratungskosten (einschließlich an die abgebenden Aktionäre gezahlter Beratungskosten), Abfindungskosten und Kosten für Transfer-Dienstleistungsverträge.). Für eine Überleitung des bereinigten EBITDA vom Ergebnis vor Ertragsteuern verweisen wir auf die nachfolgende Tabelle in Fußnote 10.

[9] Die Bereinigte EBITDA Marge ist als Bereinigtes EBITDA (wie in Fußnote 8 definiert und wie aus dem Ergebnis vor Ertragsteuern in der folgenden Tabelle in Fußnote 10 ersichtlich) geteilt durch den Umsatz der betreffenden Periode.

[10] Die nachfolgende Tabelle zeigt die Überleitung vom Konzernergebnis vor Ertragsteuern zum Konzern-EBIT zum Konzern-EBITDA auf das Konzern-EBITDA.

	Für das Geschäftsjahr zum 31. Dezember		
	2017	**2016**	**2015**
in TEUR	(**geprüft, soweit nicht anders angegeben**)		
Ergebnis vor Ertragsteuern	**43.844**	**7.976**	**2.386**
Zinsen und ähnliche Aufwendungen	3.072	867	1.329
Zinsen und ähnliche Erträge	(56)	(1)	(72)
EBIT	**46.860**	**8.842**	**3.643**
Aufwendungen aus Abschreibungen	8.177	2.536	2.918
EBITDA	**55.036**	**11.378**	**6.561**
Bereinigungen (ungeprüft)	(40.869)	(4.053)	361
Davon: Erträge aus günstigen Erwerben (ungeprüft)[1]	(46.957)	(5.250)	-
Davon: Ertrag aus Erstattungsanspruch (ungeprüft)[2]	(2.831)	-	-
Davon: Rechts- und Beratungskosten (ungeprüft)[3]	6.718	469	361
Davon: [4]Abfindungskosten (ungeprüft)[4]	1.551	728	-
Davon: TSA-Kosten (ungeprüft)[5]	650	-	-
Bereinigtes EBITDA (ungeprüft)	**14.167**	**7.325**	**6.922**

[1] Beinhaltet Kaufpreisanpassungen für günstige Erwerbe im Zusammenhang mit der Bellini Akquisition ~~und~~ , der Dolmen Akquisition und der Opus Akquisition.

[2] Enthält den Nettoeffekt auf das EBITDA eines Steuererstattungsanspruchs gegen den ehemaligen Gesellschafter der STS Acoustics S.p.A. aufgrund des Kaufvertrags betreffend den Erwerb der STS Acoustics S.p.A. Im Zusammenhang mit dem Erwerb der STS Acoustics S.p.A. zahlte die STS Gruppe Ertragsteuern, Mehrwertsteuer, Steuerstrafen und Zinsen für Vorjahre, für die die STS Gruppe von dem ehemaligen Gesellschafter der STS Acoustic S.p.A. entschädigt wurde.

[3] Enthält Honorare für Rechts-, Wirtschafts-, Beratungs-, Buchhaltungs- und Steuerberatung im Zusammenhang mit der Bellini Akquisition, der Dolmen Akquisition und der Opus Akquisition sowie Beratungshonorare an den Abgebenden Aktionär.

[4] Enthält Abfindungszahlungen an die von den erworbenen Unternehmen beschäftigten Mitarbeiter und Vermögenswerte.

[5] TSA-Kosten beinhalten Aufwendungen im Zusammenhang mit Transfer-Dienstleistungsverträgen (*transition services agreements*), z.B. die laufende Nutzung von IT-Systemen, im Zusammenhang mit der Bellini Akquisition, der Dolmen Akquisition und der Opus Akquisition.

B.7	**Erhebliche Änderung der Finanzlage oder des Betriebsergebnisses in oder nach den abgedeckten Zeiträumen**	**Geschäftsjahr zum 31. Dezember 2017 und 2016:** Die Umsätze betrugen im Geschäftsjahr 2017 TEUR 309.993 und sind damit um TEUR 173.834 im Vergleich zum Geschäftsjahr 2016 angestiegen. Der Anstieg des Umsatzes resultiert hauptsächlich aus den Akquisitionen in 2017. Die Dolmen Akquisition (wie unter B.3 definiert) wurde zum 30. Juni 2017 abgeschlossen und die Umsätze der involvierten Unternehmen trugen in der zweiten Hälfte des Geschäftsjahres 2017 zum Konzernumsatz bei. Des Weiteren wurde die Opus Akquisition (wie unter B.3 definiert) zum 30. September 2017 abgeschlossen und die daraus resultierenden Umsätze im vierten Quartal 2017 erhöhten den Gesamtumsatz für das Geschäftsjahr 2017. Zudem trug die Bellini Akquisition (wie unter B.3 definiert), welche zum 23. Dezember 2016 abgeschlossen wurde, ihren vollen Umsatz

		im Geschäftsjahr 2017 bei. Die kurzfristigen Verbindlichkeiten beliefen sich zum 31. Dezember 2017 auf TEUR 168.420, was einem Anstieg von TEUR 125.628 gegenüber dem 31. Dezember 2016 entspricht. Die langfristigen Verbindlichkeiten beliefen sich zum 31. Dezember 2017 auf TEUR 45.867, was einem Anstieg von TEUR 16.416 gegenüber dem 31. Dezember 2016 entspricht. **Geschäftsjahr zum 31. Dezember 2016 und 2015:** Die Umsatzerlöse für das Geschäftsjahr 2016 beliefen sich auf TEUR 136.159, was einer Steigerung von TEUR 1.632 gegenüber dem Geschäftsjahr 2015 entspricht. Der leichte Anstieg resultiert aus der Fortführung des laufenden Geschäftsbetriebes ohne die Entwicklung außergewöhnlicher Umstände oder Umsatzsteigerungen durch Akquisitionen. Die kurzfristigen Verbindlichkeiten beliefen sich zum 31. Dezember 2016 auf TEUR 42.792, was einem Anstieg von TEUR 1.676 gegenüber dem 31. Dezember 2015 entspricht. Die langfristigen Verbindlichkeiten beliefen sich zum 31. Dezember 2016 auf TEUR 29.451, was einem Anstieg von TEUR 13.526 gegenüber dem 31. Dezember 2015 entspricht. **Jüngste Entwicklungen**: *Kapitalerhöhung aus Gesellschaftsmitteln vom 13. April 2018* Die außerordentliche Hauptversammlung der Gesellschaft vom 13. April 2018 beschloss die Erhöhung des Grundkapitals aus Gesellschaftsmitteln von EUR 50.000,00 um EUR 1.000.000,00 auf EUR 1.050.000,00 gemäß den Bestimmungen des Aktiengesetzes (§§ 207 ff. AktG) durch Umwandlung eines Teilbetrages der Kapitalrücklagen. Die Kapitalerhöhung wurde durch Ausgabe von 1.000.000 neuen Inhaberaktien (*Stückaktien*) mit einem anteiligen Betrag am Grundkapital der Gesellschaft von EUR 1,00 je Inhaberaktie durchgeführt. Der Abgebende Aktionär hat als Alleinaktionär der Gesellschaft alle neuen Aktien gezeichnet. Die neuen Aktien sind mit voller Gewinnberechtigung ab dem 1. Januar 2018 ausgestattet. Die Durchführung der Kapitalerhöhung wurde am 24. April 2018 in das Handelsregister eingetragen. *Barkapitalerhöhung vom 25. April 2018* Die außerordentliche Hauptversammlung der Gesellschaft vom 25. April 2018 hat die Erhöhung des Grundkapitals der Gesellschaft von EUR 1.050.000,00 um EUR 3.950.000,00 auf EUR 5.000.000,00 durch Ausgabe von 3.950.000 neuen Inhaberaktien (*Stückaktien*) mit einem anteiligen Betrag am Grundkapital der Gesellschaft von EUR 1,00 je Inhaberaktie, beschlossen. Der Abgebende Aktionär hat als Alleinaktionär der Gesellschaft alle neuen Aktien gezeichnet. Die neuen Aktien sind mit voller Gewinnberechtigung ab dem 1. Januar 2018 ausgestattet. Die Durchführung der Kapitalerhöhung wurde am 30. April 2018 in das Handelsregister eingetragen. *Finanzielle und geschäftsbezogene Entwicklungen* In den ersten Monaten des laufenden Geschäftsjahres entwickelten sich die für die STS Gruppe relevanten Märkte in Bezug auf Segmente und Regionen entsprechend den

		Erwartungen des Unternehmens, was sich positiv auf die Ertragslage der STS Gruppe im ersten Quartal 2018 auswirkte. Der Umsatz auf konsolidierter Basis ist im Vergleich zum Vorjahreszeitraum vor allem durch die Dolmen Akquisition und die Opus Akquisition deutlich gestiegen. Abgesehen von diesen den Akquisitionen direkt zuzurechnenden Effekten verzeichnete die STS Gruppe vor allem in China ein starkes Umsatzwachstum durch den Beginn neuer Projekte. Synergien sowie Effizienzsteigerungen in der Produktion, die zu niedrigeren Ausschussraten und einem entsprechenden Rückgang des Materialaufwands führen, haben positiv zum Ergebnis vor Ertragsteuern der STS Gruppe beigetragen. Diese positiven Effekte wurden teilweise durch höhere Kosten aufgrund des Hochfahrens neuer Produktionslinien im polnischen Werk der STS Gruppe und relativ hohe Rohstoffpreise kompensiert. Die Fortschritte bei der Integration der Bellini Akquisition, der Dolmen Akquisition und der Opus Akquisition stehen im Einklang mit den Post-Merger-Integrationsplänen des Unternehmens und das Unternehmen geht davon aus, dass alle wesentlichen Integrationsschritte, wie die Ausgliederung der IT-Systeme aus den ehemaligen Unternehmensgruppen und die Beendigung der noch bestehenden Transfer-Dienstleistungsverträge, bis zum Ende des laufenden Geschäftsjahres abgeschlossen sein werden. Generell bleibt die Kundennachfrage in den Endmärkten der STS Gruppe auf relativ hohem Niveau. Die STS Gruppe geht davon aus, dass sich dieser Trend im laufenden Geschäftsjahr fortsetzen wird, vor allem getrieben durch die Nachfrage der Kunden in China, was nach Ansicht der Gesellschaft ein Beleg für das erhebliche Wachstumspotenzial in diesem Markt ist. Der Auftragseingang bezüglich des neu akquirierten Geschäfts und die entsprechenden Zugänge im Auftragsbestand der STS Gruppe in den ersten Monaten des laufenden Geschäftsjahres haben sich im Rahmen der Erwartungen des Managements entwickelt. Als Teil der Strategie der Gesellschaft weiteres Wachstum in neuen geographischen Märkten zu erreichen und ihre Geschäftstätigkeit in China auszubauen, hat die STS Gruppe ihre dritte Produktionsstätte in Shiyan (China), geleast.. Der betreffende Vertrag wurde am 23. März 2018 abgeschlossen und die Aufnahme des operativen Geschäfts wird für das erste Quartal des Geschäftsjahres 2019 erwartet.
B.8	**Ausgewählte Pro-forma-Finanzinformationen**	Die folgenden ausgewählten Pro-forma-Finanzinformationen basieren auf unseren ungeprüften konsolidierten Pro-forma-Finanzinformationen. Zweck dieser Pro-forma-Finanzinformationen ist die Darstellung der konsolidierten Pro-forma-Gewinn- und Verlustrechnung der Emittentin für das zum 31. Dezember endende Geschäftsjahr 2017 in der Annahme, dass die Dolmen Akquisition und die Opus Akquisition am 1. Januar 2017 stattgefunden haben. Die Dolmen Gruppe besteht aus den fünf Legaleinheiten STS Composites France S.A.S., MCR S.A.S., STS Composites Germany GmbH, Inoplast Trucks S.A. de C.V. und STS Plastics Co., Ltd. Die Opus Gruppe besteht aus der Minas Têxteis - Fabricação de Peças e Partes Automotivas Ltda. sowie der STS Brazil Holding GmbH. Die ungeprüften Pro-forma-Finanzinformationen wurden lediglich zu illustrativen Zwecken erstellt. Die ungeprüften Pro-forma-Finanzinformationen beschreiben ihrer Natur nach

eine hypothetische Situation und spiegeln damit nicht das gegenwärtige Geschäftsergebnis der STS Gruppe wider. Sie sind nicht notwendigerweise aufschlussreich für das Geschäftsergebnis, das während des dargestellten Zeitraums entstanden wäre, hätten Pro-forma-Anpassungen tatsächlich zu den angegebenen Daten stattgefunden und sie geben nicht notwendigerweise Aufschluss hinsichtlich zukünftiger Geschäftsergebnisse.

Konsolidierte Pro-forma-Gewinn- und Verlustrechnung für den Zeitraum vom 1. Januar 2017 bis zum 31. Dezember 2017:

Ausgangszahlen Historische Finanzinformationen **In TEUR**	**STS Group** **1. Januar 2017 bis 31. Dezember 2017**	**Dolmen Group adjustiert** **1. Januar 2017 bis 31. Dezember 2017**	**Opus Akquisition** **1. Januar 2017 bis 31. September 2017**	**Summen-spalte** **1. Januar 2017 bis 31. Dezember 2017**	**Summe der Pro-forma-Anpassungen**	**Konsolidierte Pro-forma-GuV**
Umsatzerlöse	309.993	109.782	5.451	425.226		425.226
Erhöhung oder Verminderung des Bestands an fertigen und unfertigen Erzeugnissen und Waren	2,.50	1.012		3.462		3.462
Sonstige betriebliche Erträge	55.735	4.996	74	60.804		60.804
Materialaufwendungen	(190.555)	(59.192)	(2.759)	(252.506)		(252.506)
Personalaufwendungen	(75.619)	(29.172)	(1.371)	(106.162)		(106.162)
Abschreibungen	(8.177)	(2.906)	(417)	(11.500)	(790)	(12.290)
Sonstige Aufwendungen	(46.967)	(18.727)	(906)	(66.599)	1.590	(65.010)
Finanzierungserträge	56	3		59		59
Finanzierungsaufwendungen	(3.072)	(303)		(3.375)	(100)	(3.475)
Ergebnis vor Steuern	**43.844**	**5.493**	**72**	**49.408**	**699**	**50.108**
Ertragsteueraufwand	3.121	(416)	(25)	2.680	(180)	2.500
Jahresüberschuss	**46.965**	**5.077**	**48**	**52.089**	**519**	**52.608**
Davon den Eigentümern der STS Group AG zuzurechnen	46.965					52.608
Ergebnis pro Aktien in EUR (basic)	**0,94**					**1,05**
Ergebnis pro Aktien in EUR (verwässert)	**0,94**					**1,05**

B.9	**Gewinnprognosen oder -schätzungen**	Entfällt, da die Gesellschaft keine Gewinnprognosen oder -schätzungen gemacht hat.
B.10	**Beschränkungen in den Bestätigungsvermerken**	Entfällt. Die Bestätigungsvermerke zu den historischen Finanzinformationen, wie sie in diesem Prospekt enthalten sind, wurden ohne Einschränkungen erteilt.
B.11	**Erläuterung bei nicht ausreichendem Geschäftskapital**	Entfällt, da die STS Gruppe nach Ansicht der Gesellschaft in der Lage ist, die Zahlungsverpflichtungen, die innerhalb der mindestens kommenden zwölf Monate ab dem Datum dieses Prospekts fällig werden, zu erfüllen.
	Abschnitt C – Wertpapiere	
C.1	**Beschreibung von Art und Gattung der angebotenen und/oder zum Handel zuzulassenden**	Das Angebot (wie unten definiert) besteht aus einer Gesamtzahl von 2.300.000 auf den Inhaber lautenden Stammaktien ohne Nennbetrag (Stückaktien) der Gesellschaft, jeweils mit einem rechnerischen Anteil am Grundkapital der Gesellschaft von EUR 1,00 und voller

	Wertpapiere einschließlich jeder Wertpapierkennung	Gewinnberechtigung ab dem 1. Januar 2018. Das Angebot umfasst: • 1.000.000 neu ausgegebene auf den Inhaber lautenden Stammaktien ohne Nennbetrag (Stückaktien) aus einer außerordentlichen Hauptversammlung der Gesellschaft am 8. Mai 2018 beschlossenen Kapitalerhöhung gegen Bareinlage (die "**Kapitalerhöhung**") unter Ausschluss des Bezugsrechts der Aktionäre ("**Neue Aktien**"); • 1.000.000 auf den Inhaber lautende Stammaktien ohne Nennbetrag (Stückaktien) der Gesellschaft aus dem Aktienbesitz des Abgebenden Aktionärs, (die **"Umplatzierungsaktien"**) und • 300.000 auf den Inhaber lautende Stammaktien ohne Nennbetrag (Stückaktien) der Gesellschaft aus dem Aktienbesitz des Abgebenden Aktionärs aus einer Wertpapierleihe im Zusammenhang mit einer möglichen Mehrzuteilung durch die Joint Bookrunner (die **"Mehrzuteilungsaktien**", zusammen mit den Neuen Aktien und den Umplatzierungsaktien, die **"Angebotenen Aktien"**). Die außerordentliche Hauptversammlung der Gesellschaft hat am 8. Mai 2018 über die Kapitalerhöhung zur Schaffung der Neuen Aktien beschlossen. Die Eintragung des Kapitalerhöhungsbeschlusses in das Handelsregister und die Durchführung der Kapitalerhöhung werden am oder vor dem 30. Mai 2018 erwartet. Mit Handelsbeginn wird das Grundkapital der Gesellschaft bis zu EUR 6.000.000,00 betragen und in bis zu 6.000.000 auf den Inhaber lautende Stückaktien (*Stammaktien*) eingeteilt sein. Alle bestehenden Aktien sind voll eingezahlt und alle Neuen Aktien werden mit Ausgabe voll einbezahlt sein. ISIN (International Security Identification Number): DE000A1TNU68 WKN (Wertpapierkennnummer): A1TNU6 Börsenkürzel: SF3.
C.2	**Währung der Wertpapieremission**	Die Angebotenen Aktien werden in Euro angeboten.
C.3	**Zahl und Nennwert der ausgegebenen und voll eingezahlten Aktien; Nennwert pro Aktie bzw. Angabe, dass die Aktien keinen Nennwert haben**	Zum Datum dieses Prospektes beträgt das bestehende Grundkapital der Gesellschaft EUR 5.000.000,00 und ist eingeteilt in 5.000.000 auf den Inhaber lautende Stückaktien (*Stammaktien*) (alle von Zeit zu Zeit ausstehenden Aktien der Gesellschaft, zusammen die **"Aktien"** und jede Aktie eine **"Aktie"**). Jede Aktie entspricht derzeit einem rechnerischen Anteil von EUR 1,00 am Grundkapital der Gesellschaft.
C.4	**Beschreibung der mit den Aktien verbundenen Rechte**	Jede Angebotene Aktie gewährt eine Stimme in der Hauptversammlung der Gesellschaft. Außer den in bestimmten Fällen greifenden gesetzlichen Beschränkungen gibt es keine Beschränkungen der Stimmrechte und es gibt auch keine unterschiedlichen Stimmrechtsklassen. Die Angebotenen Aktien sind mit voller Dividendenberechtigung ab dem 1. Januar 2018 ausgestattet. Aktionären steht das Recht zu, neu auszugebende Aktien aus

		künftigen Kapitalerhöhungen entsprechend ihrem jeweiligen Anteil am Grundkapital der Gesellschaft zu zeichnen (Bezugsrecht).
C.5	**Beschreibung aller etwaigen Beschränkungen für die freie Übertragbarkeit der Aktien**	Die Aktien der Gesellschaft sind in Übereinstimmung mit den gesetzlichen Regelungen für die Übertragung von Inhaberaktien frei übertragbar. Mit Ausnahme der unter E.5 beschriebenen Lock-up-Vereinbarungen bestehen keine Einschränkungen der Übertragbarkeit oder Lock-ups, die die der Aktien der Gesellschaft betreffen.
C.6	**Angabe, ob für die angebotenen Wertpapiere die Zulassung zum Handel an einem geregelten Markt beantragt wurde bzw. werden soll und Nennung aller geregelten Märkte, an denen die Wertpapiere gehandelt werden oder werden sollen.**	Die Gesellschaft wird voraussichtlich am 14. Mai 2018 die Zulassung ihres 5.000.000 bestehenden Aktien und der bis zu 1.000.000 Neuen Aktien zum Handel im regulierten Marktsegment (regulierter Markt) an der Frankfurter Wertpapierbörse sowie gleichzeitig zum Teilbereich des regulierten Markts mit weiteren Zulassungsfolgepflichten (Prime Standard) beantragen. Die Verkündung der Entscheidung über die Zulassung der bis zu 6.000.000 Aktien der Gesellschaft zum Handel wird am oder um den 30. Mai 2018 erwartet. Die Entscheidung über die Zulassung der Aktien der Gesellschaft zum Handel erfolgt ausschließlich durch die Frankfurter Wertpapierbörse in deren eigenem Ermessen. Der Handel in den Aktien der Gesellschaft an der Frankfurter Wertpapierbörse wird voraussichtlich am 1. Juni 2018 aufgenommen werden.
C.7	**Beschreibung der Dividendenpolitik**	Gemäß dem Jahresabschluss der Gesellschaft für das Geschäftsjahr 2017, welcher entsprechend dem Handelsgesetzbuch ("**HGB**") erstellt wurde, (der "**Deutsche GAAP-Abschluss 2017**") hat die Gesellschaft im Geschäftsjahr zum 31. Dezember 2017 einen Bilanzgewinn in Höhe von EUR 1.710.000,00 an den Abgebenden Aktionär betreffend das Geschäftsjahr zum 31. Dezember 2016 ausgeschüttet. Dies entspricht einem anteiligen Gewinn von EUR 34,20 pro Aktie bezogen auf 50.000 Aktien zum Zeitpunkt der Ausschüttung. Da der Deutsche GAAP-Abschluss 2017 einen Bilanzverlust ausweist, wurde für das Geschäftsjahr zum 31. Dezember 2017 keine Dividende ausgezahlt. Die Gesellschaft beabsichtigt für das Geschäftsjahr 2018 keine Dividende auszuzahlen. Allerdings erwartet die Gesellschaft mittel- bis langfristig einen gewissen Teil ihres ausschüttungsfähigen Gewinns (d. h. des ausgewiesenen Bilanzgewinns in dem nach HGB aufgestellten Jahresabschluss) an ihre Aktionäre auszuschütten. Die Fähigkeit der Gesellschaft, in zukünftigen Jahren Dividenden auszuschütten, hängt vom Betrag des ausschüttungsfähigen Bilanzgewinns ab. Die Gesellschaft ist nicht in der Lage, belastbare Aussagen hinsichtlich der Höhe des zukünftig zu erwartenden Bilanzgewinns oder ob überhaupt ein Bilanzgewinn in der Zukunft erzielt werden kann, zu treffen. Demnach kann die Gesellschaft nicht garantieren, dass Dividenden in der Zukunft gezahlt werden. Die Gesellschaft beabsichtigt, einen wesentlichen Teil ihrer potentiellen Gewinne – sofern es welche geben wird - nach Abzug der in die gesetzliche Rücklage einzustellenden Beträge für die Finanzierung ihres weiteren Wachstums in den kommenden Geschäftsjahren zu verwenden und eine Dividende nur zu zahlen, soweit dies mit ihren Business-und Investitionsplänen zu vereinbaren ist.

Abschnitt D – Risiken		
D.1	**Zentrale Angaben zu den zentralen Risiken, die der Emittenten oder ihrer Branche eigen sind**	**Risiken im Zusammenhang mit den Märkten, in denen die STS Gruppe tätig ist** - Veränderungen im globalen wirtschaftlichen und politischen Umfeld könnten sich negativ auf die Geschäftstätigkeit der STS Gruppe auswirken. - Die Entwicklung von negativen wirtschaftlichen und politischen Umständen in den regionalen Hauptmärkten, in denen die STS Gruppe tätig ist oder in denen ihre Kunden ihre Produkte benutzen, könnten sich erheblich negativ auf die Geschäftstätigkeit und Vermögens-, Finanz und Ertragslage der STS Gruppe auswirken. - Der Erfolg des Geschäfts der STS Gruppe, insbesondere im Nutzfahrzeugbereich, steht in direktem Zusammenhang mit der Nachfrage nach Automobil- und Lkw-Verkauf, insbesondere nach mittelschweren und leichten Nutzfahrzeugmodellen und PKW-Modellen. - Die STS Gruppe ist von ihrer Fähigkeit abhängig, sich an verändernde Technologien und neue Trends anzupassen und weiter neue Produkte zu entwickeln. Wenn es der STS Gruppe künftig nicht gelingt, neue Produkte für die Automobile- und LkW-Industrie vorzustellen, könnte sie ihre Wettbewerbsfähigkeit und Marktanteile verlieren. - Die STS Gruppe sieht sich derzeit in Wettbewerb mit etablierten Wettbewerbern und erwartet, dass künftig auch andere Unternehmen in den Wettbewerb zur STS Gruppe treten werden. Der STS Gruppe könnte es nicht gelingen, in der gesamten Automobil- und LkW-Industrie wettbewerbsfähig zu bleiben. - Generelle Unterbrechungen in der Automobil- und LkW-Lieferkette könnten negative Auswirkungen auf die Geschäfte der Gesellschaft haben, sogar wenn die Gesellschaft selbst keinem Lieferengpass bei ihrem Lieferanten unterliegt. - Das Wachstum der Gesellschaft in existierenden Märkten sowie die Expansion in neue geographische Märkte einschließlich Schwellenländer könnte scheitern oder nicht den erwarteten Effekt haben. - Der STS Gruppe könnte es nicht gelingen, künftig ihre organische Wachstumsstrategie erfolgreich umzusetzen. Das Unvermögen, solch eine organische Wachstumsstrategie umzusetzen, könnte zu einem Verlust von Marktanteilen beim Absatz ihrer Produkte in der Automobil- und LkW-Industrie führen. - Die STS Gruppe ist derzeit und wird auch weiterhin Währungsrisiken ausgesetzt sein. - Die Lieferungen der Produkte der STS Gruppe an ihre Kunden könnten verspätet oder verzögert sein oder auf Grund von Exportkontrollen oder die Erhebung von Zöllen bedeutend teurer werden. - Die Umsetzung der wirtschaftlich protektionistischen Politik in den Vereinigten Staaten durch die US-Regierung oder Politik, die sich auf die Automobil- und LkW-Industrie negativ auswirken und schließlich zu verstärkten globalen Spannungen führen könnte, könnte sich negativ auf die Geschäftstätigkeit der Kunden der STS Gruppe und auf ihre eigene Geschäftstätigkeit auswirken. - Konflikte, militärische Maßnahmen, terroristische Angriffe und allgemeine Instabilität in der Welt könnten sich erheblich negativ auf die globale Nachfrage in der

		Automobil- und LkW-Industrie und damit auf die Geschäftstätigkeit der STS Gruppe auswirken. **Risiken im Zusammenhang mit der Geschäftstätigkeit der STS Gruppe** - Die STS Gruppe ist von einer begrenzten Anzahl von Großkunden und den Beziehungen zu diesen abhängig. Ein Verlust dieser geschäftlichen Beziehungen könnte sich erheblich negativ auf die Geschäftstätigkeit und die Vermögens,- Finanz- und Ertragslage der STS Gruppe auswirken. - Sollten die Lieferanten der STS Gruppe nicht mehr in der Lage sein, die für die Geschäftstätigkeit der STS Gruppe erforderlichen und benötigten Rohmaterialien, Komponenten oder Ausrüstungen zu liefern, könnte die Fähigkeit der STS Gruppe, die Nachfrage ihrer Kunden zu bedienen und ihre Geschäftstätigkeit auf dem aktuellen Produktionsniveau fortzuführen, negativ beeinträchtigen. - Die STS Gruppe ist möglicherweise nicht in der Lage, weitere Preissenkungen, die sich aus so genannten vereinbarte Langfristige Vereinbarungen (*Agreed Long-term Agreements - LTAs*) mit OEMs ergeben, durch Produktivitätssteigerungen oder andere Maßnahmen wie Fusionen und Übernahmen, Joint Ventures und kostengünstige Beschaffung auszugleichen. Das Unvermögen der STS Gruppe, solche Preissenkungen auszugleichen, könnte erhebliche negative Auswirkungen auf ihr Geschäft haben. - Ein unerwarteter Preisanstieg für Rohmaterialien, Komponenten und Ausrüstung, die die STS Gruppe für die Entwicklung und Produktion ihrer Produkte benötigt, könnte zu Preissteigerungen führen, die sich nicht auf die Kunden der STS Gruppe abwälzen lassen oder anderweitig durch andere Kostenersparnisprogramme ausgeglichen werden können. - Betriebsunterbrechungen oder langanhaltende Produktionsstopps könnten sich auf die Lieferfähigkeit der STS Gruppe auswirken. Diese könnte nicht mehr in der Lage sein, ihre Produkte (rechtzeitig) zu liefern. - Die STS Gruppe hat im Zusammenhang mit ihren kürzlichen Akquisitionen eine Anzahl von Verträgen, einschließlich bestimmter Übergangsdienstleistungsverträge sowie Management-Dienstleistungsverträge mit ihrem Aktionär und andere Verträge abgeschlossen, die zu weitaus höheren Kosten als bislang erwartet führen könnten. - Die STS Gruppe könnte Produkthaftungsansprüchen und Gewährleistungsansprüchen ausgesetzt sein. - Das Wettbewerbsrecht könnte die STS Gruppe Haftungsrisiken aussetzen und ihre Fähigkeit einschränken, Akquisitionen zum Zwecke des Ausbaus ihrer Geschäftstätigkeit in bestimmten Märken abzuschließen. - Es könnte sein, dass es der STS Gruppe nicht gelingt, alle aus ihrem bestehenden Auftragsbestand erwarteten Umsätze zu realisieren. - Gelingt es der STS Gruppe nicht, ihre Auftragseingänge und ihren Auftragsbestand schnell und effizient zu bearbeiten, könnten sich ihre Kunden nach anderweitigen Lieferanten für ihre Produkte umsehen, insbesondere wenn man die Größe des Automobil- und

		LkW-Marktes berücksichtigt. - Die STS Gruppe ist möglicherweise nicht in der Lage, vergangene oder zukünftige Akquisitionen planmäßig oder zu den erwarteten Bedingungen und Konditionen effizient oder überhaupt zu integrieren, und vergangene oder zukünftige Akquisitionen können nicht die gewünschten oder erwarteten Ergebnisse bringen. - Die STS Gruppe könnte aufgrund ihrer dezentralen Managementstruktur Schwierigkeiten bei der Umsetzung der besten Managementpraktiken in ihren Geschäftsbereichen haben. - Die STS Gruppe ist von komplexen IT-Systemen und Netzwerken abhängig, welche Schäden, Unterbrechungen oder Cyber-Attacken aufgrund von erhöhten Hacker Aktivitäten oder aufgrund Betrugs unterliegen könnten. - Datenschutzverstöße und -verletzungen könnten der Reputation der STS Gruppe schaden, Ordnungswidrigkeiten oder Straftaten darstellen und zu Schadensersatzansprüchen sowie zu Geldstrafen führen. - Die Geschäftstätigkeit der STS Gruppe hängt von qualifizierten Führungskräften und Schlüsselmitarbeitern ab. - Streiks oder industrielle Eingriffe könnten die Geschäftstätigkeit der STS Gruppe unterbrechen. - Es kann nicht garantiert werden, dass die von der STS-Gruppe eingesetzten Zeitarbeitskräfte ebenso gut ausgebildet, qualifiziert oder zuverlässig sind wie ihre festen Mitarbeiter, was möglicherweise zu einem Rückgang des Serviceniveaus oder einer signifikanten Erhöhung der Fehler- oder Arbeitsunfallrate führen und sich wiederum erheblich nachteilig auf die Geschäftstätigkeit, die Finanz- und Ertragslage, die Cashflows und die Aussichten der STS Gruppe auswirken könnte. **Risiken im Zusammenhang mit dem Finanzprofil der Gesellschaft** - Der STS Gruppe könnte es nicht gelingen, ausreichend finanzielle Mittel zu genieren oder zusätzliches Kapital zur Finanzierung ihrer Geschäftstätigkeit zu erhalten; - Die STS-Gruppe finanziert ihr Geschäft derzeit teilweise über Fremdfinanzierungen, Darlehen von ihrem Alleinaktionär und Factoring- und Leasingvereinbarungen. Die STS-Gruppe könnte in Zukunft zusätzliche Finanzmittel benötigen, und solche Finanzierungen sind möglicherweise nicht zu günstigen Bedingungen oder überhaupt nicht verfügbar und können bei Eigenkapitaltransaktionen für die Aktionäre verwässernd wirken. -- Die Pro-Forma-Finanzinformationen beschreiben lediglich hypothetische Situationen und spiegeln daher nicht die tatsächlichen Ergebnisse der Geschäftstätigkeit der STS Gruppe wider. - Die verpflichtende Anwendung neuer IFRS-Rechnungslegungsstandards könnte zu wesentlichen Änderungen des Konzernabschlusses der STS-Gruppe für Geschäftsjahre, die am oder nach dem 1. Januar 2018 beginnen, und dazu führen, dass Anleger solche Finanzinformationen für die Schätzung ihrer künftigen Geschäftsergebnisse nur eingeschränkt

		verwenden können.. **Risiken bezogen auf rechtliche, regulatorische oder steuerliche Sachverhalte** - Die Nichteinhaltung bestehender Gesetze und Vorschriften in vielen Rechtsordnungen oder Änderungen solcher Gesetze und Vorschriften könnten die STS Gruppe dazu zwingen, kostspielige zusätzliche Schritte zu unternehmen, um die zukünftige Einhaltung sicherzustellen und möglicherweise Rückrufe zu erfordern. - Die STS Gruppe befindet sich derzeit mit bestimmten Vertragspartnern in Rechtsstreitigkeiten im Hinblick auf einige ihrer kürzlich getätigten Akquisitionen. - Der STS Gruppe könnte es nicht gelingen, ihre gewerblichen Schutzrechte, ihr technologisches Know-How und ihre Warenzeichen zu schützen. Es besteht weiter das Risiko, dass die STS Gruppe ihrerseits Schutzrechte Dritter verletzt. - Es könnte sich herausstellen, dass die Versicherungssumme der von der STS Gruppe abgeschlossenen Versicherungen nicht ausreicht, um alle Risiken abzudecken. - Die STS Gruppe könnte für die Verschmutzung von Boden, Wasser oder Grundwasser haftbar gemacht werden oder für Risiken, die mit der Nutzung von gefährlichen Materialien einhergehen. - Die STS Gruppe muss die Gesetze gegen Bestechung und ausländische Sanktionen einhalten. Die Nichteinhaltung solcher Gesetze könnte zu schweren strafrechtlichen oder zivilrechtlichen Sanktionen führen. - Die Gesellschaft ist eine Holding-Gesellschaft, deren Liquidität von Dividendenzahlungen ihrer Tochtergesellschaften abhängt. - Die STS Gruppe unterliegt den Steuergesetzen und -regularien in Deutschland und zahlreichen anderen Ländern. Die Steuerlast der STS Gruppe könnte sich als Folge bestehender oder künftiger Steuerfestsetzungen oder Gerichtsverfahren im Zusammenhang mit Veränderungen in den nationalen oder ausländischen Steuergesetzen und Doppelsteuerungsabkommen oder auf Grund von Änderungen im Hinblick auf die Anwendung oder Auslegung dieser erhöhen. - Das aktuelle Risikomanagement-System der Gesellschaft und das Fehlen eines integrierten Compliance Systems könnte die Gesellschaft daran hindern, Gesetzesverletzungen einschließlich Korruption, Arbeitnehmerbetrug oder andere kriminelle und unzulässige Tätigkeiten zu verhindern oder zu identifizieren, alle relevanten Risiken für die Gesellschaft zu identifizieren und zu bewerten und angemessene Gegenmaßnahmen zu ergreifen, insbesondere vor dem Hintergrund ihrer Expansion nach Asien.
D.3	**Zentrale Angaben zu den zentralen Risiken, die den Wertpapieren eigen sind**	**Risiken bezogen auf die Aktien der STS Gruppe und deren Listing** - Die Aktien sind möglicherweise keine geeignete Anlage für alle Anleger. Potenzielle Anleger sollten die Risiken, besonderen Umstände und Folgen einer Anlage sowie die Informationen, die in diesem Prospekt oder einem etwaigen Nachtrag enthalten sind oder durch Verweis aufgenommen wurden, sorgfältig prüfen und

		gegebenenfalls rechtlichen Rat einholen, bevor sie eine Anlage in Bezug auf die Anteile vornehmen. - Die Aktien der STS Gruppe wurden bislang nicht an einem Markt gehandelt und es besteht das Risiko, dass sich kein aktiver oder liquider Markt für die Aktien der Gesellschaft entwickelt. - Aktienkurs und Handelsvolumen der Aktien der Gesellschaft können stark schwanken und Anleger könnten ihre Anlage ganz oder teilweise verlieren. - Selbst wenn alle Angebotsaktien im Rahmen des Angebots platziert werden, kann die mutares AG (der Abgebende Aktionär) als Mehrheitsaktionär, weiterhin erheblichen Einfluss auf die Gesellschaft und ihre Geschäftstätigkeit ausüben. Die Interessen des Mehrheitsaktionärs der Gesellschaft könnten den Interessen der anderen Aktionäre widersprechen. - Künftige Aktienverkäufe durch Aktionäre der Gesellschaft könnten den Kurs der Aktien drücken. - Künftige Angebote von Aktien oder Schuldtiteln durch die Gesellschaft könnten den Aktienkurs der Aktien nachteilig beeinflussen, und zukünftige Kapitalmaßnahmen könnten zu einer Verwässerung der bestehenden Aktionäre führen. - Die Fähigkeit der Gesellschaft, Dividenden aus zu schütten hängt unter anderem von ihrer Finanz- und Ertragslage ab. - Eine Anlage in die Aktien der Gesellschaft durch einen Anleger, dessen Hauptwährung nicht der Euro ist, könnte durch Wechselkursschwankungen beeinträchtigt sein. - Die Gesellschaft wird aufgrund ihrer Eigenschaft als börsennotierte Aktiengesellschaft mit erhöhten Kosten konfrontiert sein, und ihr Management wird erhebliche Zeit für zusätzliche Compliance-Initiativen und zusätzliche rechtliche, regulatorische und administrative Anforderungen aufwenden müssen. Wenn die Gesellschaft diese Anforderungen nicht erfüllt, wird sie möglicherweise ihren Ruf schädigen und eine Anlage in die Aktien beeinträchtigen. - Stabilisierungsmaßnahmen, die den Börsen- oder Marktpreis der Aktien der Gesellschaft beeinflussen, um negative Kursschwankungen kurzfristig auszugleichen, können zu einem höheren Börsen- oder Marktpreis der Aktien der Gesellschaft im Vergleich zu Kursen ohne diese Maßnahmen führen.
Abschnitt E – Angebot		
E.1	**Gesamtnettoerlöse und geschätzte Gesamtkosten der Emission/des Angebots**	Die Gesellschaft erhält den Erlös (nach Abzug der Provisionen der Joint Bookrunner und weiteren Kosten, die die Gesellschaft zu tragen hat) aus dem Verkauf der Neuen Aktien. Die Gesellschaft wird hingegen keinen Erlös aus dem Verkauf der Umplatzierungsaktien und der Greenshoe-Aktien erhalten, da dieser dem Abgebenden Aktionär zufließen wird. Die Gesellschaft wird Gesamtbruttoerlöse in Höhe von ungefähr EUR 29 Mio. erzielen, unter der Annahme einer vollständigen Platzierung der 1.000.000 Neuen Aktien zu einem Angebotspreis von EUR 29,00, der Mitte der für das Angebot der Angebotenen Aktien (wie unter C.1 definiert) bestimmten Preisspanne. Die Gesellschaft wird die Kosten tragen, die auf die Platzierung der Neuen Aktien und die Börsennotierung ihres gesamten Grundkapitals entfallen. Auf der Grundlage der vorstehenden Annahmen, schätzt die

		Gesellschaft, dass die an die Joint Bookrunner zu zahlenden und von der Gesellschaft zu übernehmenden Provisionen (einschließlich einer ermessensabhängigen Provision) zusammen mit den weiteren Kosten, die auf die Neuen Aktien und die Zulassung des gesamten Grundkapitals zum Handel entfallen, ungefähr EUR 2.612.082 betragen werden. Unter der Annahme, dass der Angebotspreis in der Mitte der Preisspanne liegt, wird der der Gesellschaft aus dem Angebot zufließende Netto-Emissionserlös (nach Abzug der Provisionen der Joint Bookrunner sowie der weiteren von der Gesellschaft zu tragenden Kosten) (der **"Nettoemissionserlös"**) voraussichtlich EUR 26.387.918 betragen. Die Entscheidung hinsichtlich der Anzahl der zu platzierenden Neuen Aktien wird am 29. Mai 2018 getroffen. Der Abgebende Aktionär erhält den Erlös aus dem Verkauf der Umplatzierungsaktien und, sofern und soweit die Greenshoe Option ausgeübt wird, den Erlös aus dem Verkauf der Greenshoe-Aktien (nach Abzug der Provisionen der Joint Bookrunner und der weiteren von dem Abgebenden Aktionär im Hinblick auf die Umplatzierungs- und Greenshoe-Aktien zu tragenden Kosten). Der Abgebende Aktionär wird aus dem Angebot Gesamtbruttoerlöse in Höhe von ungefähr EUR 37,7 Mio. erzielen, unter der Annahme einer vollständigen Platzierung der 1.000.000 Umplatzierungsaktien und 300.000 Greenshoe-Aktien zu einem Angebotspreis von EUR 29,00 der Mitte der Preisspanne für das Angebot der Angebotenen Aktien. Der Abgebende Aktionär wird die Kosten tragen, die auf die Platzierung der Umplatzierungsaktien und der Greenshoe-Aktien entfallen. Auf der Grundlage der vorstehenden Annahmen, schätzt die Gesellschaft, dass die an die Joint Bookrunner zu zahlenden und von dem Abgebenden Aktionär zu übernehmenden Provisionen (einschließlich einer ermessensunabhängigen Provision) zusammen mit den weiteren Kosten für die Umplatzierungsaktien und die Greenshoe-Aktien ungefähr EUR 2.031.057 betragen wird. Unter der Annahme eines Angebotspreises in der Mitte der Preisspanne, wird der an den Abgebenden Aktionär entfallende Netto-Erlös aus dem Angebot (nach Abzug der Provisionen der Joint Bookrunner und der weiteren von dem Abgebenden Aktionär zu tragenden Kosten) ungefähr EUR 35.668.943 betragen. Je nachdem, ob der Angebotspreis am unteren oder oberen Ende der Preisspanne festgelegt wird, wird der der Gesellschaft und dem Abgebenden Aktionär zufließende Netto-Erlös niedriger oder höher sein als wie oben angegeben (d.h. als der mittlere Wert der Preisspanne).
E.2a	**Gründe für das Angebot, Zweckbestimmung der Erlöse, geschätzte Nettoerlöse**	Die Gesellschaft beabsichtigt, ihre Geschäftstätigkeit in der globalen Automobilzulieferindustrie auszuweiten. Der durch das Angebot erzielte Emissionserlös soll vorrangig für die künftige Weiterentwicklung der Geschäftstätigkeit der STS Gruppe, insbesondere für die Expansion in China und Amerika, die zunehmende Verlagerung von Produktionskapazitäten nach Osteuropa die Ausweitung der Automatisierung von Herstellungsprozessen sowie für die Fokussierung auf technologische Trends verwendet werden.

		Die Gesellschaft schätzt, dass sie ca. 40% des Emissionserlöses für die schnellere Ausweitung der China-Strategie der STS Gruppe verwenden wird. Die Gesellschaft schätzt, ca. 32% des Emissionserlöses zur Ausweitung ihrer Präsenz in Europa durch den Aus- und Aufbau von weiteren Produktionskapazitäten in Ländern Osteuropas mit niedrigen Faktorkosten zu verwenden. Die Gesellschaft plant, ca. 14% des Emissionserlöses für die Ausweitung der Geschäftstätigkeit in Amerika zu verwenden. Für den Vorantrieb der Automatisierung von Herstellungsprozessen innerhalb der STS Gruppe, schätzt die Gesellschaft, dass sie ca. 8% des Emissionserlöses aufwenden wird. Schließlich schätzt die Gesellschaft, ca. 6% des Emissionserlöses in die Entwicklung von passenden Lösungen für neue Technologietrends wie autonomes Fahren oder e-Mobilität zu investieren. Der Abgebende Aktionär hat die Gesellschaft über seine Absicht informiert, seine Beteiligung an der Gesellschaft zu reduzieren, indem er die Umplatzierungsaktien (sowie die Greenshoe-Aktien, sofern solche platziert werden) platziert. Der Abgebende Aktionär ist davon überzeugt, dass das Angebot im Interesse der Gesellschaft liegt, weil das Angebot dem Wachstum und der Entwicklung der STS Gruppe dient. Gleichzeitig soll durch die Platzierung von Umplatzierungsaktien (sowie Greenshoe-Aktien, sofern solche platziert werden) durch den Abgebenden Aktionär ein Freefloat geschaffen werden, der eine attraktive Liquidität der Aktien sicherstellt.
E.3	**Beschreibung der Angebotskonditionen**	Das Angebot besteht aus einer Gesamtzahl von 2.300.000 auf den Inhaber lautenden Stammaktien ohne Nennbetrag (Stückaktien) der Gesellschaft, jede Aktie mit einem rechnerischen Anteil am Grundkapital der Gesellschaft von EUR 1,00 und voller Gewinnberechtigung ab dem 1. Januar 2018 und umfasst: • 1.000.000 Neue Aktien; • 1.000.000 bestehende Umplatzierungsaktien; und • 300.000 bestehende Mehrzuteilungsaktien. Dieses Angebot besteht aus einem öffentlichen Angebot der Angebotenen Aktien in der Bundesrepublik Deutschland (**"Deutschland"**) und im Großherzogtum Luxemburg (**"Luxemburg"**) (das **"Öffentliche Angebot"**) und Privatplatzierungen in bestimmten Jurisdiktionen außerhalb Deutschlands und Luxemburgs einschließlich einer Privatplatzierung in den Vereinigten Staaten von Amerika (**"Vereinigte Staaten"** oder **"USA"**) (gemeinsam mit dem Öffentlichen Angebot das **"Angebot"**). Die Angebotenen Aktien werden in den Vereinigten Staaten lediglich qualifizierten institutionellen Käufern (*qualified institutional buyers)* in Anlehnung an Artikel 144A des US-Wertpapiergesetzes (U.S. Securities Act) von 1933, in seiner jeweils gültigen Fassung (der **"Securities Act"**), zum Kauf angeboten. Außerhalb der Vereinigten Staaten werden die Angebotenen Aktien in Offshore-Transaktionen gemäß und in Anlehnung an die sog. "Regulation S" des Securities Acts angeboten. Die Angebotenen Aktien wurden nicht und werden nicht gemäß dem Securities Act oder durch eine

		Wertpapieraufsichtsbehörde eines Staates oder einer anderen Jurisdiktion der Vereinigten Staaten registriert. Die Preisspanne, innerhalb welcher Kaufangebote abgegeben werden können, beträgt zwischen EUR 26,00 und 32,00 pro Angebotsaktie (die "**Preisspanne**"). Der Angebotszeitraum, in welchem Kaufangebote unterbreitet werden können, beginnt am 15. Mai 2018 und endet voraussichtlich am 29. Mai 2018 (i) um 12:00 Uhr Europäische Sommerzeit ("**MESZ**") für Privatanleger (natürliche Personen) und (ii) um 15:00 Uhr MESZ für institutionelle Investoren (der "**Angebotszeitraum**"). Institutionelle Investoren können während des Angebotszeitraums Zeichnungsangebote unmittelbar gegenüber den Joint Bookrunnern abgeben. Privatanleger können im Rahmen des öffentlichen Angebots in Deutschland am Tag nach Beginn des öffentlichen Angebots über die Zeichnungsfunktionalität der Frankfurter Wertpapierbörse im XETRA-Handelssystem zur Sammlung und Abwicklung von Zeichnungsangeboten (die **"Zeichnungsfunktionalität"**) Kaufangebote abgeben. Anleger, die über die Zeichnungsfunktionalität Zeichnungsangebote für die Angebotsaktien abgeben wollen, müssen diese zwischen dem 16. Mai 2018 und dem 29. Mai 2018 um 12:00 Uhr MESZ bei ihrer jeweiligen Depotbank einreichen. Nach Ablauf der Angebotsfrist, voraussichtlich am oder um den 29. Mai 2018, werden die endgültige Anzahl der Angebotsaktien und der Angebotspreis (der **"Angebotspreis"**) von der Gesellschaft und dem Abgebenden Aktionär nach Rücksprache mit den Joint Bookrunner anhand des während des Bookbuilding-Verfahrens erstellten Orderbuchs festgelegt. Die endgültige Anzahl der Angebotsaktien und der Angebotspreis werden voraussichtlich am oder um den 29. Mai 2018 durch eine Ad-hoc-Mitteilung über verschiedene Medien im gesamten Europäischen Wirtschaftsraum (*Medienbündel*) und auf der Website der Gesellschaft (www.sts.group) im Bereich Investor Relations veröffentlicht. Die Gesellschaft, der Abgebende Aktionär und die Joint Bookrunners haben am 14. Mai 2018 einen Übernahmevertrag (der **"Übernahmevertrag"**) über die Angebotsaktien abgeschlossen. In dem Übernahmevertrag haben sich die Joint Bookrunner verpflichtet, die Neuen Aktien und die Umplatzierungsaktien im eigenen Namen zu den bestmöglichen Bedingungen im Rahmen des Angebots anzubieten, sofern bestimmte Bedingungen eintreten. Soweit die Mehrzuteilungsoption ausgeübt wird, sind die Joint Bookrunner zudem berechtigt, aber nicht verpflichtet, bis zu 300.000 Mehrzuteilungsaktien (die **"Mehrzuteilungsoption"**) anzubieten. In diesem Zusammenhang hat der Abgebende Aktionär den Joint Bookrunner die Option gewährt, bis zum 30. Kalendertag nach Börseneinführung der Aktien der Gesellschaft zum Angebotspreis abzüglich der vereinbarten

		Provisionen und Kosten weitere Aktien bis zu insgesamt 300.000 Stück (die **"Greenshoe-Aktien"**) zu erwerben und damit die Rückgabeverpflichtung aus der Wertpapierleihe zu erfüllen (die **"Greenshoe Option"**). Die Lieferung der Angebotsaktien gegen Zahlung des Angebotspreises und der üblichen Wertpapierprovisionen an die Depotbanken wird voraussichtlich am 1. Juni 2018 erfolgen. Die zugeteilten Angebotsaktien werden den Investoren als Miteigentumsanteile an der jeweiligen Globalurkunde zur Verfügung gestellt.
E.4	**Interessen und Interessenkonflikte bezüglich des Angebots**	Die Joint Bookrunner handeln als Konsortialbanken bei diesem Angebot und erhalten bei erfolgreichem Abschluss des Angebots eine Provision. Die Höhe der Provision der Joint Bookrunner hängt von der Höhe des Angebots und der Höhe des Angebotspreises ab. Joint Bookrunner haben daher ein Interesse daran, dass so viele Angebotene Aktien wie möglich zum höchstmöglichen Preis platziert werden. Einige der Joint Bookrunners oder der mit ihnen verbundenen Unternehmen, haben oder könnten von Zeit zu Zeit künftig~~,~~ eine Geschäftsbeziehung mit der Gesellschaft oder dem Abgebenden Aktionär haben oder könnten Dienstleistungen für die Gesellschaft oder den Abgebenden Aktionär im üblichen Geschäftsverlauf erbringen. Der Abgebende Aktionär erhält den Erlös aus dem Verkauf der Umplatzierungsaktien und Greenshoe-Aktien und hat daher ein Interesse an der erfolgreichen Durchführung des Angebots. Da die Gesellschaft die Netto-Erlöse aus dem Angebot der Neuen Aktien vereinnahmen und diese die Eigenkapitalbasis der Gesellschaft stärken wird, hat die derzeitige Muttergesellschaft der Gesellschaft, der Abgebende Aktionär, ein Interesse an der erfolgreichen Durchführung des Angebots. Die Vorstandsmitglieder und der Abgebende Aktionär haben im März 2018 eine Beteiligungsbonusvereinbarung getroffen, wonach die Mitglieder des Vorstands einen Anspruch auf anteilige Zahlungen betreffend sämtliche Beträge haben, die der Abgebende Aktionär aus jeglichen Nettoerlösen die ihm aufgrund seiner Beteiligung an der Gesellschaft zufließen, erhält. Aus diesem Grund haben die Vorstandsmitglieder ein eigens Interesse an der erfolgreichen Durchführung des Angebots. Mit Ausnahme der vorstehend beschriebenen Interessen bestehen keine wesentlichen Interessen, insbesondere keine wesentlichen Interessenkonflikte im Hinblick auf das Angebot.
E.5	**Personen/Unternehmen, die das Wertpapier zum Verkauf anbieten; Lock-up-Vereinbarungen und Lock-up-Frist**	Die Angebotenen Aktien werden von den Joint Bookrunnern zum Kauf angeboten. In dem Übernahmevertrag zwischen der Gesellschaft, dem Abgebenden Aktionär und den Joint Bookrunners, der am 14. Mai 2018 geschlossen wurde, hat sich die Gesellschaft verpflichtet, für einen Zeitraum von sechs Monaten ab Zulassung der Aktien der Gesellschaft zum Handel an der

		Frankfurter Wertpapierbörse (welche aus heutiger Sicht voraussichtlich am 30. Mai 2018 erfolgen wird), und einen sich daran anschließenden Zeitraum von weiteren sechs Monaten nicht ohne vorherige schriftliche Zustimmung der Joint Bookrunner keine der nachfolgenden Handlungen vorzunehmen: (i) Kapitalerhöhungen aus dem genehmigten Kapital zu verkünden oder durchzuführen; (ii) der Hauptversammlung eine Kapitalerhöhung vorzuschlagen; (iii) der Hauptversammlung die Ausgabe von Wertpapieren mit Umwandlungsrechten oder Optionsrechten im Hinblick auf die Aktien der Gesellschaft - ausgenommen der Ausgabe von Aktienoptionen unter einem Mitarbeiteroptionsprogramm - zu verkünden, die Hauptversammlung dazu anzuregen oder ihr dies vorzuschlagen, oder (iv) Transaktionen oder Maßnahmen, die denen unter (i) bis (iii) wirtschaftlich entsprechen, abzuschließen oder zu verkünden. Im Hinblick auf seine Aktien an der Gesellschaft, die nicht der Umplatzierung oder der Mehrzuteilung unterfallen, hat sich der Abgebende Aktionär verpflichtet, für einen Zeitraum von sechs Monaten nach der Zulassung der Aktien der Gesellschaft zum Handel an der Frankfurter Wertpapierbörse und für einen sich daran anschließenden Zeitraum von weiteren sechs Monaten ohne vorherige schriftliche Zustimmung der Joint Bookrunner, (i) weder direkt noch indirekt Aktien der Gesellschaft oder andere Wertpapiere der Gesellschaft, die ein Wandel-,Options- oder Umtauschrecht auf Aktien der Gesellschaft, die von dem Abgebenden Aktionär zum Zeitpunkt dieses Prospektes gehalten werden, gewähren, zur Veräußerung anzubieten, abzutreten, zuzuteilen, zu verteilen, zu verkaufen, sich zu einem Verkauf zu verpflichten, (i) der Hauptversammlung keine Kapitalerhöhung oder die Ausgabe von Wertpapieren mit Umwandlungsrechten oder Optionsrechten im Hinblick auf die Aktien der Gesellschaft vorzuschlagen; (iii) und weder eine Transaktion oder Maßnahme, die diesen unter (i) und (ii) dargestellten Maßnahmen wirtschaftlich entspricht abzuschließen oder zu verkünden.
E.6	**Betrag und Prozentsatz der aus dem Angebot resultierenden unmittelbaren Verwässerung**	Der Nettobuchwert der Gesellschaft entspricht dem ausgewiesenen Eigenkapital der STS Group AG, ermittelt durch Abzug der gesamten Schulden vom gesamten Vermögen. Zum 31. Dezember 2017 beträgt dieser rund TEUR 60.666 (geteilt durch 5.000.000 bestehende Aktien zum Zeitpunkt des Prospekts). Der Nettobuchwert je Aktie beträgt somit EUR 12,13. Unter der Annahme, dass alle 1.000.000 neuen Aktien während des Angebots zu einem Angebotspreis von EUR 29,00 je neuer Aktie (mittlerer Wert der Preisspanne) verkauft werden, erhält die Gesellschaft einen Nettoemissionserlös in Höhe von EUR 26.387.918; dabei sind die angenommenen Gesamtkosten des Angebots in Höhe von bis zu ca. EUR 2.612.082 berücksichtigt. Der Nettobuchwert der Gesellschaft

		nach vollständiger Durchführung der Kapitalerhöhung beträgt in diesem Fall rund EUR 87.053.918. Nach vollständiger Durchführung der Kapitalerhöhung (d.h. Ausschüttung auf 6.000.000 bestehende Aktien) ergibt sich ein Nettobuchwert je Aktie von EUR 14,51. Zum Nachteil neuer Investoren, die bisher nicht an der Gesellschaft beteiligt waren und die für die Neuen Aktien einen Angebotspreis von EUR 29,00 je Aktie (mittlerer Wert der Preisspanne) bezahlt haben, ergibt sich eine indirekte Verwässerung von ca. EUR 14,49 je Aktie bzw. ca. 49,97% je Aktie gegenüber dem Nettobuchwert der Gesellschaft nach vollständiger Durchführung der Kapitalerhöhung in Höhe von EUR 14,51 je Aktie. Basierend auf den obigen Annahmen ergibt sich aus Sicht des bisherigen Alleinaktionärs eine direkte Erhöhung des Nettobuchwerts von ca. EUR 2,38 je Aktie bzw. ca. 19,58% je Aktie.
E.7	**Schätzung der Ausgaben, die dem Anleger von der Emittentin oder vom Anbieter in Rechnung gestellt werden**	Entfällt. Anlegern werden weder von der Gesellschaft noch von den Joint Bookrunnern Kosten in Rechnung gestellt.

3. RISK FACTORS

*An investment in the shares of the STS Group AG (the "**Issuer**" or the "**Company**", and, together with its consolidated subsidiaries, the "**STS Group**") is subject to risks. Potential investors should carefully consider the following risks together with the other information provided in the prospectus (the "**Prospectus**") as well as their personal circumstances prior to making an investment with respect to the Shares. The order in which the risks are presented is not an indication of the likelihood of the risks actually occurring or the effects and significance of the individual risks. The following risk factors are based on assumptions which may in hindsight turn out to be incorrect. In addition, other risks and circumstances which the Company is currently unaware of or that it currently deems immaterial, alone or together with the following risks, could have a material adverse effect on the Company´s business, financial condition, results of operations, cash flows, and prospects. The occurrence of one or more of these risks, individually or cumulatively, could have a material adverse effect on the business of the STS Group´s business, financial condition, results of operations, cash flows, and prospects. The market price of the Shares could fail if any or all of these risks were to materialize, and prospective investors could lose all or part of their investment.*

3.1 Risks related to markets in which the STS Group operates

3.1.1 Changes in the global economic and political environment may adversely affect the STS Group´s business.

As a global system supplier focused on commercial vehicles, the STS Group is affected by changes in general global economic and political conditions which may adversely affect the industries and markets in which its products are sold and in the markets in which the STS Group expects to sell its products in the future. Its industries and markets are affected by general levels of industrial and manufacturing output, private and public expenditures and general investment levels in the automobile and trucking industries.

Generally, during periods of adverse economic conditions, the STS Group´s customers tend to reduce their vehicle production and their investments in the related industries and customers may delay payments for the STS Group's products, default on payments or even cancel orders for its products. As a result, the revenues the STS Group generates, as well as the overall demand for the STS Group´s products, could decline as a result of the onset of adverse economic conditions affecting the automobile and trucking industries, which are beyond the STS Group´s control, including economic recessions, periods of high inflation, fluctuations in interest and exchange rates and changes in fiscal and monetary policies of governments. In addition to a reduction in overall demand during periods of economic difficulties and the potential corresponding adverse effects on its business, an economic downturn or worsening economic conditions could result in disruptions in the supply of processed raw materials and components which the STS Group needs to produce its products.

Worsening political conditions could also adversely affect its business. These include, among other factors, an increase in global trade tensions, a continuation of further political tensions in the Middle East, in particular an ongoing escalation of the crisis in Syria, an aggravation of relations between Russia and England, continued political tensions surrounding the Brexit negotiations, further aggravation between Turkey and its neighbours and NATO allies, continued tension in the ongoing conflict in eastern Ukraine between Russia and the Ukraine and their effects on the global economic and political environment and increased geopolitical tensions with North Korea. Political disturbances in China or Brazil can impact the business of the STS Group in these countries and also in countries to which STS Group delivers products out of China or Brazil.

The materialization of any of the above risks could have a material adverse effect on the STS Group´s business, financial condition, results of operations, cash flows and prospects.

3.1.2 The development of adverse economic and political conditions in the major regional markets in which the STS Group operates or in which its customers use its products could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

The three most important markets in which the STS Group operates and in which its customers are located are in Europe, Asia and the North American Free Trade Agreement market ("**NAFTA market**") and South America.

With regard to the European market, the development of general adverse economic conditions in Europe, such as a re-emergence of the sovereign debt crisis, increased economic and political turmoil caused by the refugee crisis, a destabilization of the Eurozone, or a collapse or deterioration of the banking sector, among other factors, could impact the STS Group´s existing contractual relationships and the fulfilment of obligations by the STS Group or its customers. Furthermore, the continued difficult Brexit negotiations could have a material adverse effect on European trade relations as well as the continued emergence of anti-trade political parties in European countries and/or resulting general economic deterioration of the European Union and any economic disturbances resulting therefrom.

With regard to the Asian market, in particular the Chinese market, a relative slowdown in the country´s economic development,– caused by trade disagreements with the United States, volatility in stock markets, detrimental governmental decisions of the Chinese government concerning the automobile and trucking industries including the imposition of import taxes, or economic or political conflicts involving neighbouring countries, may lead to an economic downturn or even a recession, which, in turn, could affect the global economy as a whole.

With regard to the NAFTA market and South America, apart from general adverse economic conditions, any decision by the US administration to implement protectionist trade policies such as the recent imposition by the US administration of tariffs on aluminium and steel products, the imposition of import taxes and the threatened imposition of tariffs on automobile imports, including any changes to the NAFTA trade agreement based on current negotiations between Canada, Mexico and the United States, could have the effect of slowing down global economic growth or even lead to recession (see below "*3.1.11 The implementation of economic protectionist policies in the United States by the U.S. administration or policies which adversely affect the automobile and trucking industries and could ultimately lead to increased global tensions, which could adversely affect the businesses of its customers and may adversely affect its own business"*). The introduction of significant changes to or the termination of the NAFTA trade agreement could adversely affect the NAFTA market as a whole.

The materialization of any of the above adverse economic and political conditions in the major regional markets in which the STS Group operates or in which its customers use its products could materially adversely affect its business, financial condition, results of operations, cash flows and prospects.

3.1.3 The success of the STS Group´s business, especially in the commercial vehicle segment, is directly linked to demand for automobile and truck sales, especially medium heavy and light commercial vehicles as well as passenger car models.

As a global system supplier for interior and exterior parts focused on commercial vehicles, the success of the STS Group´s business is directly linked to demand for automobiles and trucks, which, in turn, directly influences the level of sales of automobiles and trucks in the major regional markets in which its customers operate. In particular, demand for passenger cars and commercial vehicles, and in turn, the level of sales of automobiles and trucks, depends to a large extent on a number of factors which are beyond the STS Group´s influence, including but not limited to: (i) the general economic outlook in the major regional markets in which the STS Group operates or its customers sell their products, (ii) the level of consumption and business confidence in the automobile and trucking industries, (iii) the disposable income of households or companies in the markets in which the STS Group´s products are sold, and (iv) the ability of purchasers of automobiles and trucks readily to access credit as well as possible government aid programs relating to supporting the automobile and trucking industries or incentives for the purchase of vehicles. In addition, other changes such as changes in technical and environmental rules for automobiles or trucks such as the change from Euro 5 to Euro 6 or the imposition of potential restrictions imposed on diesel fuel vehicles (zero emission laws in cities) could potentially materially adversely affect its business.

The STS Group is particularly exposed to the success of sales of commercial vehicle and passenger models for which it produces certain components and which vary from one model to another. While the life cycle of commercial vehicles usually ranges between seven to twelve years, and the life cycle of passenger models usually ranges between five to seven years.This provides the STS Group with some revenue certainty, however the STS Group is still exposed to the risk that certain models will be terminated earlier than planned or not renewed based on lack of customer demand or other external factors and the STS Group will not be able to react quickly to such changes to offset any potential revenue losses.

As a result, the success of the STS Group´s business is directly linked to demand for automobiles and trucks and the related sales levels of such vehicles in the automobile and trucking industries in the major geographical markets in which the STS Group operates or in which its customers sell their products.

The materialization of any of these risks could have a material adverse effect on the STS Group´s business, financial condition, results of operations, cash flows and prospects.

3.1.4 The STS Group depends on its ability to adapt to changing technologies and new trends and to further develop new products. If it fails to introduce attractive new products for the automobile and trucking industries, it may not remain competitive and could lose market share.

The STS Group depends upon, among other things, its ability to adapt to evolving industry requirements and introduce attractive new products. As the markets in which the STS Group operates are highly competitive and subject to constant technological change, it must be innovative and achieve technological and price advantages to remain competitive. Its success depends on the anticipation of future customer needs and the development of related technology at attractive prices, as well as products and services required and accepted by its customers. A failure by it to predict relevant product trends and technological developments or to achieve these technological advances could adversely affect the sales of its products.

Product development requires significant investment. Commitments concerning the development of new products must be made well in advance of any resulting sales and technologies and standards can change during development, potentially rendering its products outdated or uncompetitive before their introduction, thus resulting in a partial or total loss of an investment. Its product development efforts might not translate into sales of new products to its customers, either because they do not meet its customers` needs or are only introduced to the market after its competitors have introduced similar products. Delays in the development of commercially successful products meeting market requirements and expectations for technological innovation could result in a decrease of its market shares and could harm its business.

If the STS Group fails to keep pace with the evolving technological innovations in its markets, it could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

3.1.5 The STS Group currently faces competition from established competitors and expects to face competition from other companies in the future. It may not be successful in competing in the overall automobile and trucking industries.

The STS Group faces competition from various other companies in the automobile and trucking industries, especially regarding the commercial vehicle segment. As a Tier 1 supplier of interior trim in Europe, the STS Group supplies well-known customers with high value-added integrated acoustic and thermal systems and components as well as exterior body parts and interior modules for automobiles and trucks.

The STS Group competes with a number of other manufacturers that produce and sell similar parts to OEMs, including Faurecia (France), IAC (Netherlands) and IMR INDUSTRIES (Italy). In its STS Acoustics segment, the STS Group manufactures soft trim products focused on reducing noise vibration. Competitors in its STS Acoustics segment include~~,~~ Autoneum (Switzerland), Adler Pelzer Group (Italy), BORGERS (Germany) and Trèves (France). In its STS Plastics segment, the STS Group exclusively produces thermoplastic and thermoset components for light vehicles ("**LV**"), light commercial vehicles ("**LCV**"), medium and heavy commercial vehicles ("**MHCV**"), and agricultural and construction vehicles ("**ACV**"). Its key competitors in the STS Plastics segment are primarily the POLYTEC GROUP (Austria) and FRITZMEIER (Germany).

The STS Group faces competition both from specialists such as POLYTEC GROUP (Austria) and BORGERS (Germany) and from major international equipment manufacturers, which are not exclusively specialized in the STS Group’s field of business and whose other lines of business may enable them to target an accessible customer base that is broader than STS Group’s customer base. The STS Group may also face competition from potential new competitors.

The STS Group cannot ensure that its current and potential competitors will not have significantly greater financial, manufacturing, marketing and other resources than it does and may be able to devote more resources to the design, development, manufacturing, distribution, promotion, sale and support of these products. Some of its competitors may have more extensive customer bases and broader customer and industry relationships than it does. In addition, some of the companies may have longer operating histories and greater brand recognition that it does. Its competitors may be in a stronger position to respond quickly to new technologies and may be able to design, develop and market and sell their products more effectively.

While the STS Group attempts to offset these factors by developing innovative solutions by regularly developing new products, by diversifying its markets and by increasing efficiency in manufacturing in order to maintain or improve its competitive position, the business of the STS Group may be materially adversely affected if its customers fail to acknowledge the quality and added value of its products, particularly when compared to those of its competitors or if they do not match their expectations.

In addition, the STS Group is exposed to intense pricing pressure from its competitors in the automobile and trucking industries and from customers seeking the lowest possible manufacturing costs for their products and services. If the STS Group is not able to offset these pricing pressures through the production of greater volumes of products, the development of solutions which are less easily replaceable through a combination of several products or lower production costs, it may be more difficult for the STS Group to win new customers or maintain relationships with existing customers.

Any increase in these competitive pressures could force the STS Group to lower its sales prices, invest more heavily in product quality or to reduce its production costs, any of which could have a material adverse effect on the STS Group´s business, financial condition, results of operations, cash flows and prospects.

3.1.6 General disruptions in the automobile and trucking supply chain could have an adverse effect on the Company´s business, even if the Company itself does not experience any shortages in its supplier base.

As a consequence of ongoing global economic uncertainties, the automobile and trucking supply chain could face severe cash flow problems as a result of the lower production of vehicles, cost increases in raw material, commodity and energy costs, and restricted access to additional liquidity. Severe financial difficulties, including bankruptcy, of any automobile and trucking supplier could have a significant disruptive effect on the entire automobile industry, leading to, among other things, supply chain disruptions. For example, if an automobile and trucking supplier were to cease operations, it could force the automobile and trucking manufacturers to whom the supplier provides parts to temporarily shut down their operations. This, in turn, could force other suppliers, including the Company, to temporarily shut down production at plants that are producing products for these automobile and truck manufacturers, even if the Company does not experience any shortages in its supplier base.

The materialization of any of the above risks could have a material adverse effect on the Company´s business, financial condition, results of operations, cash flows and prospects.

3.1.7 The Company´s expansion into new, and growth in existing geographical markets, including emerging markets, may fail or not produce the desired results.

Part of the Company's strategy consists in achieving further growth in new geographical markets and ramping up its business in certain regions in which it is already present. These regions could include emerging markets, such as Asia, especially China, and Mexico. Accordingly, the Company has made significant investments in these regions and potentially could continue to do so in the future. However, there can be no assurance that such business expansion into new markets or the step-up of business in existing markets, in particular in China, will be successful or that the Company will be able to amortize its significant investments. For example, the Company's expansion could lead to manufacturing inefficiencies and unforeseen ramp-up costs.

International growth and expansion into emerging markets can also entail risks not commonly encountered in developed countries. Various factors may adversely influence the planned growth and result in higher-than-expected costs for the expansion. These factors include underdeveloped or unstable political, legal and regulatory regimes, inconsistent enforcement of laws and regulations or economic instability, a higher risk of conflict, limited or insufficient infrastructure, difficulties in deepening existing and developing additional customer relationships, difficulties in finding reliable local suppliers and partner, difficulties in recruiting and then retaining a sufficient number of new skilled staff and finding a certain amount of employees who are prepared to move abroad, difficulties in process handling, difficulties in prevailing over local competition and in acquiring sufficient businesses, difficulties with labour relations or compliance issues, as well as the imposition of any import, investment or currency restrictions, such as tariffs and import quotas on the repatriation of earnings and capital. The Company has also experienced and may further experience that local improvement initiatives fail, are less effective than expected and/or are implemented only after a considerable delay. Due to these and other factors, the Company may experience operative performance and quality deficiencies in its production and may fail customer audits. This could, in turn, result in higher costs or in diversion of employees', including management's, time and attention or could damage the Company's reputation or lead to new business holds by OEM customers in the respective market or throughout the business segment in question or the Company. Furthermore, changes in the legal environment could, for example, adversely affect the Company's business in China. Such changes could include, inter alia, mandatory provisions with respect to the use of key technology or changes in planning and zoning laws or antitrust laws affecting the Company's operations in China or the political volatility currently affecting Mexico due to the upcoming presidential elections that will occur on 1 July 2018, which may lead to a slowing of the growth rate of the Mexican economy until the results of such elections are known. In addition, a number of the Company's competitors are considerably expanding their own production capacities in these regions, which could lead to overcapacities and intensified price competition among suppliers of the automobile and trucking industries in emerging markets, thus adversely affecting the Company's sales, market share and results of operations. In the event that the Company fails to achieve a successful ramp-up of business operations in these new markets, investments may not be amortized as planned, the Company may be unable to redeploy the invested capital in a timely manner to take advantage of opportunities in other markets, and significant losses may occur.

Moreover, the continued growth and increasing globalization of the Company may become increasingly difficult to manage successfully, for example, because of the increasing decentralization of activities and management functions. There is no guarantee that the Company's production, development and administrative functions will be capable of responding to these additional requirements without difficulties or inefficiencies that cause the Company to incur significant additional costs and/or that expose it to legal, regulatory or civil costs or penalties. Furthermore, the Company may face reputational risks vis-à-vis its customers and, as a result, may lose business and become less profitable should the Company not be able to offer its customers the same high quality and sophisticated products from its production sites in emerging markets as those from the Company's production sites in developed countries.

The materialization of any of these risks could have a natural adverse effect on the Company's business, financial condition, results of operations, cash flows and prospects.

3.1.8 The STS Group may not be able to successfully implement its organic growth strategy for the future. The failure to implement such organic growth strategy could result in a loss of market share in the sales of its products in the automobile and trucking industries.

The STS Group intends to grow its business through an organic growth strategy. The STS Group intends to increase its business from existing customers and win new customers. To implement this strategy, the STS Group may have to make material capital investments in order to meet the expected production requirements of existing or new customers and in order to ensure continued sales growth. The anticipated impact on STS Group's sales and operating results related to these investments may not materialize for a variety of reasons (e.g. change of customer demand). There is also the risk that new markets and businesses associated with these new markets or new business segments cannot or can only partially be developed and that the goals of developing additional markets and business segments through these investments may not be realized. In particular, the STS Group may not realize expected future sales or operating results and it may experience difficulties in meeting the production demands of new orders.

If the STS Group does not succeed in successfully implementing its organic growth strategy, this development could have a material adverse impact on its market position and could result in its competitors winning additional market share.

The materialization of any of these risks could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

3.1.9 The STS Group is, and expects to continue to be, exposed to foreign currency exchange risk.

The STS Group's financial statements are prepared in Euro but a significant part of the STS Group's business is carried out in currencies other than Euro, in particular in Chinese Yuan, Brazilian BRL, Mexican Pesos, US Dollars and Polish Zlotys. The STS Group's activities in foreign countries, like China or Mexico, from time to time demand for liquidity in the national currency. As a result, the STS Group is exposed to both transactional and translational foreign currency exchange risk.

Transactional foreign currency exchange risk may arise as a result of payments the STS Group makes or receives in local currencies and buys related material/services in Euro (e.g. export business). In addition, the STS Group may face a timing issue as a result of differences in exchange rates on the dates commercial transactions are entered into and the dates on which they are settled.

Translational foreign currency exchange risk may arise when translating the value of the STS Group's assets and liabilities outside of the Eurozone and the results of its non-EU subsidiaries into Euro. To the extent that there are fluctuations in exchange rates in these currencies, this would have an impact on the consolidated STS Group accounts.

Both effects could have a material impact on the STS Group's financial position or results of operations, as shown in the STS Group's accounts going forward. The STS Group does not currently hedge its foreign currency exposure. In the future the STS Group may enter into currency hedging arrangements, if the Management Board believes it to be appropriate, which may expose the STS Group to further risk of actual losses, as well as the need to make adjustments for financial reporting purposes.

3.1.10 Deliveries of the STS Group´s products to its customers could be delayed, hindered or made significantly more expensive by export controls or the imposition of custom duties.

Exports account for a part of the STS Group´s business. The export of its products to customers located outside of Germany in the United States, Latin America, China and other non-European countries may be subject to limitations, export licenses, specific export controls, embargoes (imposed by Germany as well as by other countries where the suppliers of component products or technologies are based) or trade restrictions or custom duties. Exports of the STS Group could be delayed until these issues are properly addressed. Furthermore, the import of products in other countries may require the prior approval or license by the competent authorities or may be outright prohibited.

In addition, there can be no assurances that (i) the export controls to which the STS Group is subject will not be tightened or custom duties will be significantly increased, (ii) new products developed by the STS Group will not be subject to similar or tighter controls and, (iii) geopolitical factors will not make it possible for the STS Group or its suppliers to obtain export licenses for certain customers or make it more difficult for the STS Group to execute previously signed contracts (e.g. because of new embargoes).

If the STS Group fails to manage these risks adequately, or if one of these risks materializes, this could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

3.1.11 The implementation of economic protectionist policies in the United States by the U.S. administration or policies which adversely affect the automobile and trucking industries and could ultimately lead to increased global tensions, which could adversely affect the businesses of th STS Group's customers and may adversely affect its own business.

The U.S. administration has introduced a number of protectionist policies and may introduce additional protectionist measures which could adversely affect the STS Group´s business. For example, the U.S. administration recently announced the imposition of tariffs on the importation of aluminium and steel products into the United States and is currently considering imposing tariffs on automobiles and other products. In addition, the U.S. administration is currently considering the imposition of additional tariffs on the importation of certain automobile and trucking products globally. The imposition of these and other similar measures could lead to drastic countermeasures by other countries and ultimately trigger increased global trade tensions. The materialization of any of these risks could have a material adverse effect on the STS Group´s business, financial condition, results of operations, cash flows and prospects.

3.1.12 Conflicts, military action, terrorist attacks and general instability throughout the world could materially adversely affect the global demand in the automobile and trucking industries and the STS Group´s business.

Conflicts, military action and terrorist attacks have precipitated economic instability and turmoil in the economies of some countries in which its products are used. Instability and turmoil, particularly in, or affecting, such countries, may lead to plant disruptions at facilities in which its products are used or an inability of its customers to use its products at their facilities. The uncertainty and economic disruption resulting from hostilities, military action and acts of terrorism may also impact the global demand in the automobile and trucking industries, depending on the jurisdictions in which such conflicts, military action or terrorist attacks occur, which could adversely affect its business.

Accordingly, any conflict, military action or terrorist attack could materially adversely impact the operations of its customers and suppliers, which could, in turn, adversely affect its business, could lead to a loss of markets in which its products can be used and could therefore have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

3.2 Risks related to the STS Group's business

3.2.1 The STS Group relies on a limited number of large key customers and customer relationships, the loss of which could materially adversely affect its business, financial condition, results of operations, cash flows and prospects.

The STS Group generates a significant part of its revenue from five key customers, namely Renault Trucks/Volvo Trucks, FCA, Daimler, Plastic Omnium and Mecaplast (now renamed to Novares). The STS Group estimates that between 65% and 70% of the consolidated revenue expected to be generated in the current financial year will be attributable to such top five customers. If the STS Group is not able to maintain its existing relationships with such customers or obtain new relationships with new customers, or if some of these existing customers reduce their purchases of their products or find themselves in financial difficulties or even have to file for insolvency proceedings, the STS Group may not be able to achieve the desired development of its market share.

In particular, the STS Group's customer relationship with Plastic Omnium and Mecaplast, the selling entities in the Dolmen Acquisition and the Bellini Acquisition (both as defined under 3.2.6), respectively, could be adversely affected by factors related to these acquisitions, such as potential disputes arising from the respective sale and purchase agreements or transition services agreements (see also "*3.2.6 The STS Group has entered into a number of agreements in connection with its recent acquisitions, including certain transition services agreements and a research, as well as into management service agreements with its shareholder and other agreements which could expose it to significantly higher than expected costs*" and "*3.4.2 The STS Group is currently in dispute with certain parties in relation to some of its recent acquisitions*"), which could ultimately result in the loss of Plastic Omnium and Mecaplast as customers of STS Group.

In addition, large companies such as these key customers have extensive purchasing departments which monitor the terms and conditions of contractual relationships with outside providers. If any of these purchasing departments believe that the terms and conditions of the agreement with these outside providers needed to be revised, they could require the STS Group to renegotiate such agreements on terms and conditions unfavourable to it. Existing relationships with its customers may also be subject to change as a result of changing customer priorities, external pressures or the deterioration of a customer´s financial condition, any of which may alter the customer relationship, including by way of customers seeking to renegotiate previously agreed terms. The STS Group´s dependence on a small number of key customers may also require it to accept commercially unfavourable conditions in the future in order to maintain customer relationships and could expose it to the risk of substantial losses if one of its key customers decided to terminate its contractual relationship, not renew its contractual relationship or decrease the respective volume under its contract with the STS Group. For example, a contract with Scania in the STS Plastics segment is scheduled to end at the end of the current financial year and the contract will not be renewed. According to the STS Group's estimates, this contract accounts for less than 5% of the forecasted revenue for 2018. The loss of any contracts of this size in the future may adversely affect its business if it is not able to offset such losses with new contracts of similar or greater size or increase its existing business to offset such losses.

In addition, if a number of these customers lose market share as a result of a dramatic change in the automobile and trucking industries and, in turn, reduce their orders for its products, its revenues may decrease if it is not able to off-set such losses through the acquisition of new customers.

If any of these customers were also to consolidate with any of their competitors which are currently not its customers, this newly consolidated competitor may insist on the STS Group renegotiating previously agreed upon contractual terms or it may lose its relationship with such customer.

In the ordinary course of business, the STS Group also provides guarantees and letters of credit to certain original equipment manufacturers (“**OEMs**”) with which it has long-term framework agreements. If any of these OEMs were to default on their payment obligations, it would adversely affect its business.

The materialization of any of the above risks could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

3.2.2 The inability of the STS Group´s suppliers to deliver necessary raw materials, components or equipment for its business could adversely impact its ability to meet the demand of its customers or to operate its business at current production levels.

The STS Group purchases a significant number of raw materials, components and special equipment from suppliers. Most of the orders are regular orders for serial production in alignment with inventory targets. As at 31 December 2017, the STS Group's top 10 suppliers accounted for 40% of its purchases of raw materials, components and equipment for its products.

While the STS Group aims to build a diversified supplier base, a default by one or more major suppliers, including as a result of labour disturbances, unplanned inventory shortages, quality issues or any other disruption to the supplies for which they are responsible could affect STS Group's production levels or result in additional costs, any of which could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects. In addition, if a supplier stopped supplying a particular raw material, component or equipment or failed to supply raw materials and/or components in the required volumes, the STS Group may not be able to replace the relevant suppliers in time. This risk is particularly heightened in the case of individual long-term supplies, which could ultimately lead to a production stop at a plant of the STS Group. If the STS Group were required to replace suppliers of components or seek a new approval or certification of the supplied components and such measures could not be timely undertaken, the STS Group would be exposed to potential production delays or increases in production costs. Furthermore, it cannot be excluded that a replacement of a supplier could lead to less favourable supply conditions or to a loss in quality of STS Group's products or to production delays as well as reputational damages. If the STS Group could not timely replace these suppliers and/or gain alternative suppliers of the required components, this could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

In addition, an OEM has to approve the use of new materials in the production of its products. Any decision by an OEM to delay its approval of the use of new materials or any decision ultimately not to approve the use of such materials could adversely affect the Company's business, financial condition, results of operations, cash flows and prospects.

The STS Group also uses subcontractors acting on its behalf to provide a certain number of services to its customers, and the STS Group remains responsible for the services performed by these subcontractors. These outsourcing activities expose the STS Group to the risk associated with managing these subcontractors, including the risk that their work is not done in a satisfactory manner, in line with the STS Group´s quality standards, or on time. Such a scenario could cast doubt on the STS Group's ability to meet its commitments, comply with applicable regulations or satisfy the expectations of its customers. In certain extreme scenarios, substandard service performance by subcontractors could cause customers to terminate their contract with the STS Group. Such scenarios could damage the STS Group's reputation and its ability to win new contracts as well as expose it to liability. Furthermore, in the event of a default by subcontractors, STS Group may be forced to undertake unplanned work or provide additional services to deliver the promised service and, in doing so, incur additional costs.

The STS Group is also exposed to the risk associated with operational control of its subcontractors, in terms of the qualifications of their employees as well as compliance with applicable local regulations. Certain subcontractors may turn out to be uninsured or fail to have sufficient funds to satisfy customer claims for damages and losses arising from their services.

Any failure by the STS Group to ensure that it has adequate raw materials, components and equipment from its suppliers to meet its contractual or legal obligations could have a material adverse effect on STS Group´s business, financial condition, results of operations, cash flows and prospects.

3.2.3 The STS Group may not be able to offset continued price reductions originating from so-called Agreed Long-term Agreements ("LTAs") with OEMs through productivity gains or other measures such as mergers and acquisitions, joint ventures and low cost sourcing. The inability to offset such price reductions by the STS Group could have a material adverse effect on its business.

The STS Group has entered into a number of LTAs with its key Tier 1 OEM customers. Under the terms of these LTAs, OEMs require that their suppliers such as the STS Group provide them with innovative products and solutions and manage the costs of such measures during the course of the LTAs. OEMs are increasingly forcing their suppliers to reduce costs for their products and solutions, leading to-, according to the Company's estimates, cost reductions of approximately three percent especially during the mid-life period of a product. As a result, suppliers of automobile and trucking parts have increasingly seen their financial performance erode and some have even been forced to consolidate or file for bankruptcy.

Despite these negative trends among automobile and trucking parts suppliers, OEMs continue to instruct their suppliers to lower their costs. To remain competitive, suppliers such as the STS Group have realized productivity gains and entered into mergers and acquisition transactions, joint ventures and low–-cost sourcing in an effort to grow top-line revenue, maintain market share, more effectively utilize assets and increase leverage with the OEMs. However, as the expected benefits associated with those objectives often fail to materialize, suppliers such as the STS Group are faced with additional margin pressure and pressure on their financial performance.

The materialization of any of the above risks could have a material adverse effect on the STS Group´s business, financial condition, results of operations, cash flows and prospects.

3.2.4 Unexpected increases in the prices for raw materials, components and equipment necessary for the manufacture of the STS Group´s products could lead to price increases which cannot be passed on to its customers or otherwise offset through other cost saving measures.

The STS Group purchases raw materials, components, semi-finished goods or equipment from suppliers for its products and production. Fluctuations in the costs of these raw materials, components or equipment or semi-finished goods from its suppliers may affect the ultimate cost of its products or lead to overcapacities for certain products. Expenditures by the STS Group on raw materials, consumables and supplies for the manufacture of the STS Group´s products totalled EUR 162.0 million in 2017. Three particular factors can lead to unexpected increases in these expenditures. First, certain of the STS Group´s sales contracts with its customers do not include so-called indexation clauses which enable the STS Group to limit its potential pricing risk for a particular period by pegging the price it pays for raw materials to a particular index. Second, the STS Group cannot change a particular supplier if such supplier was specified by the OEM. Third, the STS Group has not separately entered into hedging agreements to offset exchange rate fluctuations. As a result, increases in expenditures for raw materials caused by exchange rate fluctuations could lead to a significant increase in expenses without the Company being able to offset such increases through hedging arrangements.

In addition, the price of many of the raw materials and components used by the STS Group depends to a great extent on oil prices (e.g. plastic parts) as well as on prices for steel and chemicals (e.g. paint).

Any increases in the prices of these materials could have a material adverse effect on the STS Group´s business, financial condition, results of operations, cash flows and prospects, especially if it is not able to pass on such increased costs to its customers in the form of higher prices for its products or otherwise offset through other cost-saving measures.

3.2.5 Operational disruptions or lengthy periods of production downtime affecting the delivery of the STS Group's products may affect its ability to deliver its products on time or at all.

The success of its business depends in part on its ability to manufacture and deliver its products to its customers on time. Operational disruptions or lengthy periods of production downtime affecting the delivery of its products as a result of unanticipated failures, damages and losses (caused by fires, accidents, human error, natural disasters, environmental damage, floods, wars, terrorism, supply shortage, faulty equipment, severe weather or other disruptions of its production and/or delivery processes or within its supply chain with respect to customers and suppliers), the unavailability of service components at individual sites or otherwise could make it extremely costly to fulfil customer orders or meet deadlines, lead to significant unexpected capital expenditures for repair costs or replacement equipment or make impossible for it to manufacture and deliver its products on time, all of which could potentially expose it to significantly higher costs and potential liability from its customers.

The materialization of any of these risks could have a material adverse effect on its business, financial condition, results of operations, cash flows or prospects.

3.2.6 The STS Group has entered into a number of agreements in connection with its recent acquisitions, including certain transition services agreements as well as into management service agreements with its shareholder and other agreements which could expose it to significantly higher than expected costs.

The STS Group has conducted a number of acquisitions in the recent past, in particular with respect to the financial years ended 31 December 2017 and 31 December 2016. In December 2016, the STS Group acquired the truck business from France-based automotive supplier Novares France (previously Mecaplast France SAS) which marked STS Group’s entry into the hard trim business (the “**Bellini Acquisition**”). With the acquisition of the truck parts supplying business of the Plastic Omnium Group in June 2017, which included the share purchase and transfer of five entities (STS Plastics Co., Ltd., Inoplast Trucks S.A. de C.V., STS Composites France SAS, MCR S.A.S. and STS Composites Germany GmbH) (the “**Dolmen Acquisition**”), the STS Group expanded its product portfolio of exterior thermoset components and modules for truck cabins and light vehicles. In addition, on 30 September 2017, the STS Group expanded its business into South America through the acquisition of a plant located in Brazil from the Autoneum group by way of a share deal in respect of the entire share capital of Minas Têxteis – Fabricaçāo de Peças e Partes Automotivas Ltda. (the “**Opus Acquisition**”).

In connection with the Bellini, Dolmen and Opus Acquisitions, the STS Group has entered into a number of agreements, including certain transition services agreements and other agreements. The transition services agreements with sellers of companies it recently acquired and the distribution or discontinuation of these transition services agreements could expose the STS Group to significantly higher costs. For example, under a transition services agreement entered into in connection with the Dolmen Acquisition, an affiliate of the STS Group, Inoplast Trucks S.A. de C.V. (“**Inoplast**”) was provided, by a local Mexican subsidiary of the seller, with the use of a fire protection system for Inoplast’s plant in Ramos Arizpe Coahuila (Mexico) until 30 June 2018 at which time the transition services agreement will end. Since the current service provider declined to extend the use of its fire protection system by Inoplast Trucks S.A. de C.V. beyond 30 June 2018, Inoplast Trucks S.A. de C.V. may be exposed to significantly higher costs than expected to remedy this situation.

In addition, the STS Group and certain of its subsidiaries have entered into management service agreements with mutares AG (the "**Selling Shareholder)**, pursuant to which the Selling Shareholder provides a variety of management support, strategic assistance, project development, and cash management services, among others, which entail the payment of management fees to the Selling Shareholder. Such management service agreements could also expose the STS Group to significantly higher costs than initially budgeted.

The materialization of any of the above risks could have a material adverse effect on the STS Group´s business, financial condition, results of operations, cash flows and prospects.

3.2.7 The STS Group may become subject to product liability claims and claims regarding specific performance of, or defects in, its products.

As a global system supplier for the automobile and trucking industries, the STS Group may become subject to product liability lawsuits and other proceedings alleging violations of due care, violation of warranty obligations, certain minimum production output, compliance of its products, errors in the use of its equipment due to incorrect instructions provided by the STS Group, product defects, safety provisions and claims arising from breaches of contract (including but not limited to delivery delays), recall actions or fines imposed by government or regulatory authorities in relation to its products.

The STS Group is currently exposed to a potential claim from a major truck manufacturer pursuant to a supply agreement with a company purchased by the STS Group for alleged product defects. If this dispute is not amicably resolved and is ultimately brought before a court, the STS Group could lose a judgement in an amount of single digit millions. Even if the parties were to reach a settlement, the STS Group might still be required to pay a substantial amount pursuant to the settlement agreement.

Such events could result in the loss of market acceptance and reputation of the STS Group, the loss of revenue and the loss of customers, in particular against the background that many of its customers' components which are manufactured with its products have a major impact on the overall safety, durability and performance of the STS Group's customers' end-product. The risks arising from such product liability lawsuits, proceedings and other claims are insured to the extent the STS Group considers economically reasonable, but the insurance coverage could prove insufficient in individual cases and at any rate might not protect from damage to the STS Group's reputation. In a worst--case scenario involving recalls of mass produced products, the STS Group could be forced to pay significantly more for the recalled products than the actual value.

The STS Group also manufactures its products pursuant to customers' specifications and performance and quality requirements. If it does not timely deliver its products, it is generally subject to contractual penalties based on the period of non-performance relating to the late shipment of its products. If it delivers products which are not compliant with contractual requirements with its customers, it is required to remedy any such issues. If it is unable to remedy such issues, its customers have the right to rescind from the contract and thus require it to take back the products against re-payment of the purchase price received by it and any related costs incurred in connection therewith or to instruct a third party at its expense and against crediting of any tranches of the purchase price not already paid either to identify and remedy such issues or to disassembly and provide a substitute product. Furthermore, its customers could potentially bring claims for damages on the basis of culpa in contrahendo or breach of contract, even if the cause of the defect is remedied at a later point in time. In addition, failure to perform with respect to quality requirements could negatively affect the market acceptance of the STS Group brand and its market reputation.

As the STS Group sometimes cannot adjust its capacity as quickly as demand slows, it may also be confronted with situations in which it incurs idle capacity costs or it may incur additional costs to rent new facilities such as the rental of the new facility in China. In addition, it may enter into contracts at agreed prices and manufacturing costs may end up exceeding what was assumed in the development phase. If the assumptions on which it relies in contract negotiations turn out to be inaccurate, or if demand unexpectedly decreases so significantly that it cannot adjust its capacity to take into account this decrease in demand, these developments could have an adverse effect on its business.

The materialization of any of these risks could have a material adverse effect on the STS Group´s business, financial condition, results of operations, cash flows, and prospects.

3.2.8 Competition laws may expose the STS Group to a liability risk and limit its ability to complete acquisitions to grow its business in certain markets.

While it actively monitors compliance with applicable competition laws, any events or instances of non-compliance which come to the attention of relevant competition authorities may result in subsequent investigations which may in turn result in the imposition of fines and other sanctions against it, the STS Group´s management or employees, or otherwise expose the STS Group to financial liabilities. Any such liabilities may be significant and could have a materially adverse effect on its business and reputation. Applicable competition laws may also limit its ability to take advantage of acquisition opportunities in markets where it may enjoy a dominant position. It may be prevented by the relevant competition authorities from completing acquisitions in certain markets and may incur significant costs related to the review or investigation of any such acquisition by such authorities. Any limitation on its ability to complete acquisitions to grow its business could have a materially adverse effect on the STS Group's business, financial condition, results of operations, cash flows and prospects.

3.2.9 The STS Group may not realize all of the sales expected from its existing order backlog.

A significant part of its revenue is generated through long-term agreements with its customers under which the STS Group can estimate its expected order backlog based on the duration of the agreement, the life time of the particular model of vehicle for which it supplies automobile and trucking parts, the number of facelifts a particular model will undergo during the duration of its agreements and the STS Group estimation of the future market development. As of 31 January 2018, the STS Group´s order backlog amounts to an estimated €1.9 billion for the years 2018 to 2022. The STS Group estimates that it will generate revenues from its current order backlog in respect of the forecasted revenues for each of the financial years 2018 to 2022 as follows: 99% in 2018, 94% in 2019, 84% in 2020, 77% in 2021 and 72% in 2022 with the remaining percentages of its forecasted revenue in each respective year being generated through new business with existing or new customers. In this evaluation of its order backlog, the STS Group has not made any deductions due to the fact that the STS Group´s products will be used in certain jurisdictions, such as China, which may be difficult to access depending on the actual locations of the facilities in which its products are used. Furthermore, the evaluation of its order backlog does not take into account that purchases of its products are subject to changes in the overall economic environment and the automobile and trucking industries, or that any unforeseen circumstances could develop during the course of the LTAs with its customers and there can be no guarantee that orders for its products will not be delayed, cancelled or changed during the duration of such LTAs. The materialization of any of the above risks could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

3.2.10 If the STS Group is unable to process its order intake and its order backlog quickly and efficiently, its customers may look for alternative suppliers for its products, especially considering the size of the automobile and trucking markets.

As the STS Group has increased its business and grown its order intake, its backlog for orders has increased, which could occasionally lead to certain delays in delivering its products to its customers. If it is unable to process and deliver its orders from its customers in the future, its customers could decide to purchase comparable products and services from its competitors, could seek price reductions as a result of the STS Group's delays in delivering such products or could decide, especially in the case of its OEM customers, to vertically integrate such products in their own manufacturing processes. The occurrence of any of these events could materially adversely affect the STS Group's business, financial condition results of operations, cash flows, and prospects.

In addition, some of its customers, including MAN, Volvo Truck, Daimler Truck, Scania and others, have been granted the contractual right to cancel or suspend individual orders in whole or in part at any time. Any such cancellation of an order would lead to a corresponding reduction in the order intake, the order backlog and ultimately in revenues and thus render the prior reported order intake and order backlog incorrect.

Any suspension of orders could lead to a delayed recognition of revenues, which could have a material adverse effect on the STS Group's business, financial condition, results of operations, cash flows, and prospects.

3.2.11 The STS Group may be unable to efficiently integrate past or future acquisitions on schedule or on anticipated terms and conditions, or at all, and past or future acquisitions may not produce the desired or anticipated results.

While the STS Group has pursued in the past and will pursue selected acquisition opportunities in the future, there can be no assurance that it will be able to identify suitable acquisition candidates in the future, or that it will be able to finance such transactions on acceptable terms. Further, there can be no assurance that any acquisitions the STS Group has already made or which it might enter into in the future will be integrated or implemented successfully or will achieve the desired or expected benefits and financial objectives for the STS Group. In particular, if the STS Group undertook an acquisition which led to unexpected additional costs at a later date, it could adversely affect the Company’s business. For example, in the Opus Acquisition, subject to certain exceptions, STS Brazil Holding GmbH, a subsidiary of STS Group, as purchaser, and Minas Têxteis – Fabricação de Peças e Partes Automotivas Ltda. (future: “**STS Brasil**”), as the acquired entity, agreed vis-à-vis the seller (Swiss Autoneum group) for a period of five years from the closing date of the transaction (30 September 2017) that they would not (i) engage or assist others in engaging in the business of acoustic and thermal parts for passenger vehicles, including pickup trucks as well as any products manufactured and sold by the seller and its affiliates on the closing date (the "**Seller's Business**"), except for any agreements with the FCA Fiat Chrysler Automoveis Brasil Ltda. or any other companies from FIASA group; (ii) have any interest in any person that engages directly or indirectly in the Seller's Business; or (iii) make any written statement with the intent to disparage Seller's Business. In addition, as a result of the Bellini Acquisition, the Dolmen Acquisition and the Opus Acquisition, the STS Group has incurred and will incur significant one-off expenses in an amount of single digit million Euros including post-merger integration costs until the end of 2018. In evaluating potential acquisition or cooperation arrangements, it makes certain assumptions regarding the future combined results of the existing and acquired operations or the envisaged cooperation. In certain transactions, the acquisition analysis includes assumptions regarding the consolidation of operations and improved operating cost structures for the combined operations. There can be no assurance that such synergies or benefits will be achieved on the assumed time schedule or in the assumed amount, if at all. Failures or delays in integrating acquisitions could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the STS Group. Moreover, even in cases in which such transactions are completed on schedule and according to plan, the synergies actually resulting from an acquisition or the benefits derived from a cooperation can ultimately differ materially from the STS Group´s own estimates or expectations, which could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the STS Group.

3.2.12 The STS Group may have difficulty implementing best management practices across its business operations as a result of its decentralized management structure.

The STS Group has a decentralized management structure. Under this decentralized management structure, the STS Group encourages decision-making at the local subsidiary and regional level in order more quickly and effectively to address customers` local needs and to respond to circumstances affecting the businesses at the local subsidiary and regional level. However, the STS Group may not be able to ensure that the best practices it has developed at the parent level are readily transferable across the entire consolidated group. Given the extent of STS Group’s operations in Europe, America and Asia and the extent of its growth plans, it may be difficult to ensure that these best practices are properly deployed and adopted at the local subsidiary and regional level.

Any failure on the part of the STS Group to effectively manage its decentralized management structure could have a material adverse effect on STS Group´s business, financial condition, results of operations, cash flows and prospects.

3.2.13 The STS Group relies on complex IT systems and networks which may be vulnerable to damage, interruptions or cyber-attacks as a result of increased hacker activity or fraud.

The STS Group relies heavily on information technology systems and networks to manage its operations and business processes (for example, to monitor its procurement, orders, product manufacturing, customer communication, staff management and the dissemination of information required by its managers for decision-making). These systems and networks are potentially vulnerable to damage or interruption from a variety of sources or to security threats. Recent events have shown that cyber-attacks, in particular, have increased enormously in the past years as a result of increased hacker activity and caused material damage to companies and its customers by stealing sensitive data on the company's customers or causing working and product interruptions for lengthy periods at time. Although the STS Group has taken precautions to manage its risks related to system and network disruptions, an extended outage in a data centre or telecommunications network utilized by its systems, any security breaches or any similar event could lead to an extended unanticipated interruption of its systems or networks thereby hindering its normal business operations and also could lead to loss of customer's data and know-how, which could significantly adversely affect its business and reputation.

The STS Group is also expanding and improving its information technology systems to assist it in the management of its business, which experienced strong growth in the recent past, and the integration of the operational entities of the STS Group. The implementation and ongoing optimization of software systems and the addition of these systems at new locations require significant management time, support and cost. In addition, a number of the IT systems from the companies which the STS Group acquired during the periods under review have not been fully standardized with and integrated into STS Group´s systems because they have not been carved out and this could lead to inherent risks of not properly reporting time-sensitive information about the STS Group´s operations which could have a material adverse effect on its business. Moreover, there are inherent risks associated with developing, improving and expanding its core systems, including supply chain disruptions that may affect its ability to obtain supplies when needed or to deliver its products to its customers. The STS Group cannot be sure that these systems will be fully or effectively implemented on a timely basis, if at all. If it does not successfully implement and manage these systems, its operations may be disrupted and its results of operations could be harmed. In addition, new systems may not operate as it expects them to, and it may be required to expend significant resources to correct problems or find alternative sources for performing these functions.

If its IT system and network were disrupted or if it were unable to expand and improve its IT system to keep pace with its expanding business, any of such developments could have a material adverse effect on its business, results of operations, cash flows, financial position and prospects.

3.2.14 Data protection breaches and violations could harm the STS Group´s reputation, could constitute regulatory offences or criminal offences, and could give rise to claims for compensatory damages as well as fines against it.

The STS Group processes and uses data of its employees, suppliers and customers as well as product and process data. In doing so, it must take account of the requirements of data protection and operating rules and regulations, including Federal Data Protection Act (*Bundesdatenschutzgesetz*) and other regulations like the General Data Protection Regulation (GDPR), which will be applicable as of 25 May 2018 in all member states of the European Union to harmonize data privacy laws across Europe. Violations of data protection law, in particular the use, storage or disclosure of data to third parties without the consent of the data subjects or unauthorised access to data of third parties (including data theft), breach of non-disclosure agreements or loss of information due to cyberattacks could harm STS Group's reputation, could constitute regulatory offences or criminal offences and could give rise to claims for compensatory damages as well as fines against STS Group and thus have a correspondingly adverse effect on its business, financial condition, results of operations, cash flows, and prospects.

3.2.15 The STS Group´s operations depend on qualified executives and key employees.

The STS Group's success depends to a large extent on the continuity and skills of its current management team, particularly the executive board of STS Group, the COO of STS Plastics Europe, the COO of STS Acoustics Europe, the Head of Materials, the general manager of China and the general manager/plant manager of the segments: STS Plastics, STS Acoustics and Materials.

The loss of these executives or other key employees could have a material adverse effect on its market position and prospects. Considerable experience could be lost or access thereto gained by its competitors. Due to the intense competition in the industrial automobile and trucking industries, there is a risk of losing qualified employees to competitors or being unable to find a sufficient number of appropriate new employees for key positions. There can be no assurance that it will be successful in retaining these or other executives and employees in key positions or in attracting new employees with corresponding qualifications. Furthermore, the ongoing acquisition and integration of such acquisitions could lead to a higher fluctuation of such executives and key employees than is normally the case. It is possible that this will happen with STS Plastics, STS Composites and STS Acoustics. Despite the introduction of attractive bonus programs, there is still no guarantee that the STS Group will be able to retain such important executives and key employees at these companies or others. The materialization of any of these risks could have a material adverse effect on the STS Group´s business, financial condition, results of operations, cash flows and prospects.

3.2.16 Strikes or other industrial actions could disrupt the STS Group´s operations.

Any work stoppage or other slowdown at one or more of its production facilities based on unrest or disagreements at a particular plant or strikes called by national unions with workers based at its plants could significantly disrupt its operations, and it could have to pay penalties for late delivery of its products. Labor unrest or strikes associated with its operations could also damage its reputation with customers or in the market generally. A part of its workforce is unionized and/or subject to collective bargaining agreements. No assurance can be given that it will be able to prevent or reduce strikes or other industrial actions that agreements with unions or employees will be renewed or extended on the same or different terms or that different terms will be effective in preventing or reducing strikes or other industrial actions. If any strikes or other industrial actions occur, such actions could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

3.2.17 The STS Group is exposed to risks associated with the use of temporary staff.

The STS Group employs a number of temporary employees for certain of its activities, mainly in operations (direct labors). There can be no assurance that these temporary employees are as well trained, qualified or reliable as its permanent employees, possibly resulting in a decline in service levels or a significant increase in defect or occupational accident rates, any of which could have a material adverse effect on STS Group´s business, financial condition, results of operations, cash flows and prospects.

There are also certain restrictions for temporary workers based on labor law. They might be able to sue the Company for permanent employment if certain restrictions are not followed. The STS Group may become liable even for past for social contributions. If such events occur, this could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

3.3. Risks related to the Company's financial profile

3.3.1 The STS Group may not be able to generate sufficient cash flows or obtain additional financing to finance its business operations.

The STS Group has been in the past and will be in the future required to finance its business operations through cash flows or third-party financing. This is particularly important in light of the need to make significant capital investments in the installation of new production facilities, purchase new machinery and equipment as well as provide for the maintenance of its existing facilities. There is a risk that such cash flows may not be available to fund these items or that third-party financing may not be available or attainable on attractive financing terms or at all or that such financing cannot be undertaken in a timely fashion, all of which could significantly limit the scope of its business operations.

If the STS Group is not able to finance its business operations through cash flows, third party financing or equity capital, this could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

3.3.2 The STS Group currently finances its business in part through third-party financing, loans from its sole shareholder and factoring and leasing agreements. The STS Group may require additional financing in the future, and such financing arrangements may not be available on favorable terms, or at all, and may be dilutive to shareholders in case of equity capital transactions.

The STS Group currently finances its business in part through third party financing, loans from its sole shareholder and factoring and leasing agreements. The STS Group may seek additional financing in the future for general corporate purposes and to implement its growth strategy. For example, it may need to increase investments in product development activities and production capacity or require additional funding to make selective acquisitions or to invest in collaborations or joint ventures for entering new markets. It may be unable to obtain the additional financing~~,~~ from additional third-party financing, shareholder loans or factoring and leasing agreements required on favourable terms or at all, the failure of which could negatively impact its flexibility to react to changing economic and business conditions. For example, during periods of volatile credit markets, lenders may fail or refuse to honour credit commitments and obligations, including but not limited to, extending credit up to the maximum amount permitted by a credit facility and otherwise accessing capital or honouring loan commitments. If lenders are unable to fund under its current loan commitments or it is otherwise unable to borrow, it could be difficult to replace such loan commitments on similar terms, or at all. If adequate funds are not available on acceptable terms, it may be unable to fund growth opportunities, successfully develop or enhance products, or respond to competitive pressures.

In addition, the STS Group may have difficulty raising additional funding through factoring agreements because it may not be able to sell receivables as it previously had. factoring companies may demand a higher security deposit, the renewal of factoring agreements may only be possible on unfavourable terms, or it may face difficulties entering into new factoring arrangements during periods of financial instability. The STS Group may also face additional difficulties in extending existing accounts payable or refinancing on favourable terms and it may also be forced to provide additional letters of credit to its subsidiaries.

Furthermore, if it raises additional funds through the issuance of equity securities, its shareholders may experience the dilution of their respective ownership interests. If it raises additional funds by issuing debt, it may be subject to limitations on its operations and impair its ability to pay dividends due to restrictive covenants. The materialization of any of these events relating to future financing activities could negatively affect the STS Group’s business, financial condition, results of operations, cash flows and prospects.

3.3.3 Pro Forma Financial Information describes only a hypothetical situation, and therefore, does not reflect the actual results of operation for the STS Group.

The Company´s pro forma consolidated financial information for the period from 1 January 2017 to 31 December 2017 is based on the audited consolidated financial statements of the Company as of and for the financial year ended 31 December 2017 and on the audited consolidated statement of profit or loss of the Dolmen Group for the period from 1 January 2017 to 30 June 2017 prepared in accordance with IFRS (the “**Pro Forma Consolidated Financial Information**”). It is required to present the Company´s pro forma consolidated income statement as if the Dolmen Acquisition and the Opus Acquisition had been consummated as of 1 January 2017.

Independent auditors have conducted an assurance engagement to report on the compilation of the Pro Forma Consolidated Financial Information in accordance with the IDW Auditing Practice Statement: Audit of Pro Forma Financial Information IDW AuPS 9.960.1 and have issued an independent auditor´s assurance report thereon. However, the Pro Forma Consolidated Financial Information describes a hypothetical situation and thus, due to its nature, the presentation does not reflect the actual results of operations of the Group following the completion of the acquisition. The presentation of the Pro Forma Consolidated Financial Information is based on information available and certain pro forma assumptions, as described therein. In addition, the STS Group's Pro Forma Consolidated Financial Information may not be indicative of its future performance nor indicate its future results of operations.

3.3.4 The mandatory application of new IFRS accounting standards may lead to potential significant changes in the consolidated financial statements of the STS Group for the financial years beginning on or after 1 January 2018 and may restrict the ability of investors to use such financial information for estimate forecasts of its future results of operation.

The mandatory application of new accounting standards such as IFRS 9 “Financial Instruments”, IFRS 15 “Revenue from Contracts with Customers” and IFRS 16 “Leases” may lead to potential significant changes in positions of the consolidated financial statements. These new accounting standards have to be applied by all companies, which prepare their financial statements according to the International Financial Reporting Standards (IFRS) as applicable in the European Union. The new accounting standards IFRS 9 and IFRS 15 require mandatory application for annual periods beginning on or after 1 January 2018 and the new accounting standard IFRS 16 for annual periods beginning on or after 1 January 2019. The application of IFRS 9, IFRS 15 and IFRS 16 may lead to potential significant changes in the consolidated financial statements, such as an increase in valuation allowances recognized, changes and timing differences in revenue recognition or an increase in liabilities recognized.

As a result, the comparability of the consolidated financial statements of the Company as of and for the financial years ending 31 December 2017 and the consolidated financial statements of the Company for the financial years beginning on or after 1 January 2018 may be limited due to the mandatory application of new IFRS accounting standards and may therefore restrict the ability of investors to use such financial information as a basis for the estimate forecast of the Company's future results of operation.

The materialization of any of these risks could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

3.4 Risks related to legal, regulatory and tax issues

3.4.1 Non-compliance with existing laws and regulations in many jurisdictions or changes in any such laws and regulations could require the STS Group to take costly additional steps to ensure future compliance and potentially require recalls.

As a group operating in many jurisdictions, the STS Group is subject to international, European Union, national and local laws, regulations and ordinances. It must observe a large number of different regulatory requirements that change frequently, evolve continuously and may become more stringent. These requirements relate in particular to STS Group´s production process and include, inter alia, laws and regulations relating to occupational health and safety, the use and handling of chemicals, air and water emissions and the management and disposal of certain materials, substances and waste and employment law. For its production sites and operations, it is required to obtain and hold various permits to apply for modifications permits and to comply with the requirements specified therein and it is also subject to rules that relate to the safety of its products. More strict regulation of these products or its manufacturing sites or processes or occupational health and safety regulations in the future may have a material adverse effect on its business. If it does not comply with these rules, it may be required to take all necessary measures to ensure compliance, with regard to its products potentially even after it has sold them, if necessary by way of a recall. It is subject to foreign trade laws to pay export duties or customs duties on materials and products that STS Group exports and imports. The nature of its operations exposes it to the risk of liabilities or claims with respect to such laws, regulations, ordinances and duties, and it may have to incur material costs in connection with such liabilities or claims. In addition, shipments to a number of countries may be delayed by customs authorities in those countries based on local law requirements, arbitrary decisions by such authorities or otherwise. It could become subject to additional laws, regulations, ordinances and/or permit requirements.

Compliance with existing and additional or more stringent laws, regulations, ordinances or permit requirements, as well as more vigorous enforcement policies of regulatory agencies or stricter or different interpretations, may require the STS Group to make additional expenditures or investments, which may be material, and could also otherwise affect its business in a way that could have a material adverse effect on its business, financial condition, results of operations, cash flows, and prospects.

3.4.2 The STS Group is currently in dispute with certain parties in relation to some of its recent acquisitions.

The STS Group has significantly expanded in the recent past through a number of acquisitions, some of which are subject to dispute among the parties.

In one matter, the STS Group may gain or have to pay an additional purchase price in a single digit million EUR amount under a purchase agreement to a seller depending on how the parties agree that the final purchase price under this purchase agreement should be adjusted. In another matter, if an amicable solution is not reached between STS Group and the seller of a recently acquired business, the STS Group may fail to obtain indemnification from the seller for certain payments to be made to some of its employees in a single digit million EUR amount without being compensated by the seller, although parts of such payments were to be allocated to a period prior to the acquisition.

The materialization of any of these risks could have a material adverse effect on the STS Group´s business, financial condition, results of operations, cash flows and prospects.

3.4.3 The STS Group could be unsuccessful in adequately protecting its intellectual property, technological know-how and trademarks and there is a risk that it might infringe upon the intellectual property rights of others.

The STS Group´s products are highly dependent upon its technological know-how. To a certain extent the scope and limitations of its proprietary rights in this know-how are important to it. It has obtained or applied for a number of intellectual property rights, such as patents. The process of seeking patent protection can be lengthy and expensive. In principle, the STS Group monitors the chain of title in inventions that result froms research and development to help ensure that it can later claim intellectual property rights to such inventions. However, there could be gaps in its chain of title and it could be unsuccessful in establishing a chain of title.

Furthermore, patents may not be granted on currently pending or future applications or may not be of sufficient scope or strength to provide it with meaningful protection or commercial advantage. While there is a presumption that patents are valid, the granting of a patent does not necessarily imply that it is effective and that possible patent claims can be enforced to the degree necessary or desired. In particular, intellectual property rights are difficult to enforce in Asia and other countries, since the application and enforcement of laws governing such rights adhere to a different standard in these countries than in other jurisdictions in which it operates, such as Germany. If a patent does not provide meaningful protection, either because it is invalid or ineffective, there is the risk that competitors may copy the STS Group´s know-how without incurring any expenses of their own. In addition, a certain part of the STS Group's patent innovations are subject to contradicting grounds, i.e. claims against the registration. Contradicting grounds include disclosure associated with the patent application and registration which may enable competitors to apply for corresponding patents in jurisdictions abroad and/or use the STS Group's know-how to develop competing products. As a result, it often waives patent applications if STS Group deems that competitors cannot successfully disassemble STS Group´s products to gain access to its know-how (so-called reverse engineering).

Its intellectual property rights may also be vulnerable to misappropriation by employees, contractors and other persons. From time to time, it may be required to compensate inventors and other originators where we wish to commercialize certain intellectual property.

There can be no assurance that its intellectual property rights will not be violated by third parties. Further, trade secrets and know-how that cannot effectively be safeguarded through a patent registration as well as other unpatented proprietary know-how might be disclosed to third parties. Due to the international nature of STS Group´s business, it may not be able to adequately safeguard its know-how in regions where it operates but are not intimately familiar with business practices and/or extent of intellectual property protection afforded in such regions. Any realization of the aforementioned risks could have a material adverse effect on its business, financial condition, results of operations, cash flows, and prospects.

Since its competitors, suppliers and customers also submit a large number of inventions for intellectual property protection it cannot be excluded that there are effective and enforceable third-party intellectual property rights pertaining to certain processes, methods or applications. Thus, there is a potential risk that STS Group could infringe the intellectual property rights of third parties. Accordingly, third parties could assert infringements of intellectual property rights, including illegitimate ones, against STS Group. As a result, it could be required to cease manufacturing, using or marketing certain technologies or products in certain countries or be forced to incur licensing costs or make changes to manufacturing processes and/or products, or litigate the scope or validity of patents in order to be permitted to sell its products. In addition, it could be liable to pay compensation for infringements or could be forced to purchase licenses to make use of technology from third parties.

Furthermore, it relies on trademarks to a limited extent in order to protect its brands. There can be no guarantee that it will be able to protect its trademarks in the future. If its trademarks cannot be adequately protected, this could hinder or completely eradicate STS Group´s technological advantages and market reputation and thus significantly impair its competitiveness.

Moreover, it may in the future rely on licences granted by third parties, which may expire, be declared invalid or be terminated for reasons beyond its control and then granted to competitors. If it is unable to substitute such licences, it might have to either terminate the respective operations affected by the licences or invest significant financial resources in other business areas to off-set these losses.

The materialization of any of the risks related to STS Group´s intellectual property could have a material adverse effect on its business, financial condition, results of operations, cash flows, and prospects.

3.4.4 The STS Group´s insurance coverage could prove inadequate to cover all risks it might face.

Damage and loss caused by fire, natural hazards, terrorism, supply shortage, or other disturbance at its production facilities or within its supply chain – with customers or suppliers – can be severe. The risks arising from business interruption and loss of production are insured up to levels considered economically reasonable by it, but its insurance coverage could prove insufficient in individual cases. In addition, the payment of deductibles under some of these insurance policies could be onerous and expose the Company to significant payments. Furthermore, such events could injure or damage individuals, third-party property or the environment, which could, among other things, lead to considerable financial loss for the STS Group. The materialization of any of these risks could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

3.4.5 The STS Group could be held liable for soil, water or groundwater contamination or for risks related to hazardous materials.

Many of the sites at which the STS operates have been used for industrial purposes for many years, leading to risks of contamination and potentially involving remediation obligations, regardless of whether the STS Group is the legal owner or are merely using the respective property (i.e. an operator), and irrespective of whether the STS Group caused the contamination or acted with fault. Moreover, the STS Group could be held responsible for the remediation of areas adjacent to its sites if these areas were contaminated due to its activities, or if it were to be found the polluter of these areas.

The responsible authorities could assert claims against the STS Group as the polluting party, owner or occupant of the affected plot for the examination or remediation of such soil and/or groundwater contamination or could order it to dispose of or treat contaminated soil excavated in the course of construction; this could impede its operation at the affected site. In particular, Chinese authorities are increasingly monitoring compliance with environmental regulations. Violations against environmental regulations may lead to significant sanctions including the shutdown of respective facilities. The STS Group is in the process of taking appropriate measures to avoid any potential violations, in particular, the STS Group is planning to upgrade its painting lines in Jiangyin and Qingdao (China) to comply with all regulations regarding the emission of volatile organic compound (VOC). Due to the unpredictable nature of how local, state and national Chinese authorities interpret such regulations, the STS Group may have to make significant payments.

In Italy, the STS Group is also currently involved in a dispute over potential groundwater contamination at one of the sites previously conducted and then sold. While the STS Group conducted its own review which found no evidence of contamination, there can be no assurance that local, regional or national Italian authorities may hold the STS Group responsible for potential damages and penalties if it were to assess that contamination occurred at such site. It could also be required to indemnify the owner of plots of land currently or formerly leased by it or of other properties if the authorities were to pursue claims against the relevant owner of the property and if it had caused the contamination. Costs typically incurred in connection with such claims are generally difficult to predict but may be substantial. Moreover, if any contamination were to become a subject of public discussion, there is a risk that its general reputation or its relationship with its customers could be harmed. Even if it has contractually excluded or limited its liability vis-à-vis a customer, it could be held responsible for currently unknown contamination on properties that it previously owned or used. The materialization of any of these risks could have a material adverse effect on the STS Group's business, financial conditions, results of operations, cash flows, and prospects.

In Mexico, under a transition services agreement entered into with a seller, an affiliate of the STS Group, Inoplast Trucks SA de CV (“**Inoplast**”) was provided, by a local Mexican subsidiary of the seller, with the use of a fire protection system for Inoplast’s plant in Ramos Arizpe Coahuila (Mexico) until 30 June 2018 at which time the transition services agreement will end. Since the current service provider decided not to extend the use of its fire protection system by Inoplast Trucks SA de CV beyond 30 June 2018, Inoplast Trucks SA de CV is currently looking into other solutions including the procurement of such services by another third party service provider. If Inoplast were not able to find another service provider or to implement its own fire protection system by 30 June 2018, local authorities in Mexico could impose significant monetary fines and/or the local authorities could order the shutdown of the facility until a proper fire protection system were in place. The imposition of any such penalties or the shutdown of the plant could have a material adverse effect on the Company´s business, financial condition, results of operations, cash flows and prospects.

The materialization of any of these risks could have a material adverse effect on STS Group´s business, financial condition, results of operations, cash flows and prospects.

3.4.6 The STS Group has to comply with anti-bribery and foreign sanctions laws. Failure to comply with such laws could result in severe criminal or civil sanctions.

The STS Group is subject to anti-bribery laws and regulations in the countries in which it operates, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act 2010 and equivalent German and European Union legislation, which prohibit companies and their intermediaries from making or receiving improper payments and for the violation of which severe sanctions, including criminal sanctions, can be imposed. Furthermore, it is subject to a number of complicated sanctions laws, including sanctions laws under the Office of Foreign Assets Controls in the U.S. Treasury Department, and similar European Union and British laws and laws of other countries as well as United Nations sanctions which require it to refrain from doing business, or allowing its clients to do business through it, in certain countries or with certain organizations or individuals on prohibited lists maintained by the United States, the European Union or other countries. The interpretation of these laws is often broad such that it can also inadvertently violate such laws through the STS Group's business with strategic or joint venture partners or other business partners. Failure to adopt and enforce appropriate internal policies to ensure compliance with these laws may result in severe criminal or civil sanctions, and it may be subject to other liabilities, which could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

3.4.7 The Company is a holding company, whose liquidity depends on dividend payments made by its subsidiaries.

The Company is a holding company without any substantial business operations of its own. In addition to the cash it raises from debt and equity funding, its liquidity comes from dividend payments made by its operational subsidiaries. If these subsidiaries should fail to generate sufficient profits, or if these subsidiaries should generate losses, this could have material adverse effects on the Company's liquidity and its results of operation, and thus, in particular, on the ability of the Company to pay dividends. Any potential insolvency of a subsidiary could, furthermore, also trigger the insolvency of the Company. The realization of any of these risks could have a material adverse effect on the STS Group's business, results of operations, cash flows, financial position and prospects.

3.4.8 The STS Group is subject to the tax laws and regulations of Germany and numerous other countries. Its tax burden may increase as a consequence of current or future tax assessments or court proceedings in connection with changes in domestic or foreign tax laws and double taxation treaties or changes in the application or interpretation thereof.

The STS Group is subject to the tax laws and regulations of Germany and numerous other countries. Its tax burden depends on various aspects of tax laws and regulations including domestic tax laws and regulations and double taxation treaties concluded, in particular, between Germany and the countries in which the STS Group is operating, as well as their respective application and interpretation. Amendments to tax laws and double taxation treaties, in particular but not limited to the implementation of the Organisation for Economic Co-operation and Development ("**OECD**") base erosion and profit shifting measures into domestic, foreign and international tax law and regulations may have a retroactive effect, and their application or interpretation by tax authorities or courts is subject to change. Furthermore, tax authorities occasionally limit court decisions to their specific facts by way of non-application decrees which results in additional uncertainties regarding the interpretation of tax law and regulations.

As a holding company, the Issuer´s ability to distribute dividends depends largely on dividend payments made by its subsidiaries. Among other things, these intra-group distributions are subject to withholding taxes (*Kapitalertragssteuer* or *Quellensteuer*) potentially on multiple levels. No assurance can be given that the taxation of intra-group distributions may not negatively affect the Issuer´s ability to pay dividends in the future (e.g. because of tax costs in connection with such dividend payments due to non-refundable withholding taxes, double taxation, etc.).

Thin capitalization and interest deduction limitation rules in various jurisdictions restrict the tax deductibility of interest expenses and the possibility of companies to carry forward non-deducted interest expenses to future assessment periods. As the interpretation of these rules is not entirely clear in many jurisdictions, it cannot be ruled out that the competent tax authorities will take a different view regarding the tax deductibility of interest expenses than its Group entities.

STS Group is or may become subject to tax audits in the jurisdictions in which it conducts its operations (i.e. for example an ongoing tax audit in Italy). As a result STS Group may incur additional tax payments as well as penalties and late payments charges resulting from the corresponding tax assessments.

The materialization of any of the risks could have a material adverse effect on the STS Group´s business, financial condition, results of operations, cash flows and prospects.

3.4.9 The Company's current risk management system and its lack of an integrated compliance system may not enable it to prevent and/or identify violations of law including corruption, employee fraud or other criminal or unauthorised activities, and to identify and evaluate all of the relevant risks to the Company and enable the Company to take appropriate countermeasures, particularly in light of its expansion into Asia.

The Company currently has a risk management system to recognize and evaluate legal risks in the markets in which it operates and enable it to take appropriate countermeasures as necessary. However, it does not have yet a comprehensive integrated compliance system in place. It is currently working on the implementation of an integrated compliance system at the Group level including a system to comply with all relevant capital markets rules and regulations.

As it currently operates around the globe, it will be confronted with extensive array of legal requirements in those jurisdictions, including but not limited to competition and cartel law, foreign trade and customs law, public procurement, licensing and permitting law, patent, intellectual property and copyright law, product warranty and product liability law, environmental, construction and planning law, hazardous materials and chemicals law, anti-bribery and corruption legislation, sanctions regimes, employment and workplace health and safety law, tax law and provisions in connection with its manufacturing, sales, distribution and services activities. There is a risk that it could violate laws or that other risks will fail to be identified or will be incorrectly assessed and/or that no appropriate countermeasures will be taken or that the compliance and risk management systems will not be suited to the Company´s size, complexity and geographical diversity, or that those systems will fail for some other reason. There is also a risk that it does not have the proper mechanisms, IT systems, internal auditing and reporting systems to detect corruption, employee fraud or other criminal or unauthorized behaviour. As a result of its operations in Asia, this risk is particularly heightened.

3.5 Risks related to the shares of STS Group and the listing

3.5.1 The shares may not be a suitable investment for all investors.

Each potential investor in shares must determine the suitability of that investment in light of its particular circumstances and should consult with its legal, business and tax advisers to determine the consequences of an investment in the Shares. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant shares, the merits and risks of investing in the relevant shares and the information contained or incorporated by reference in this prospectus or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the shares and the impact the shares will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant shares for an indefinite period of time, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the relevant shares and be familiar with the behaviour of any relevant indices and financial markets;

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and

- acquire the shares for its own account for investment, not with a view to resale (unless the investor is capable of bearing the risk of a possible decline of the market value of the shares), distribution or other disposition of the shares (subject to any applicable law requiring that the disposition of the investor's property be within its control).

3.5.2 There is no existing market for the Shares of the STS Group and an active or liquid market might not develop for the Shares.

Prior to this initial public offering of 2,300,000 Shares (the "**Offer Shares**") in the Company, there has been no public offering of or public trading in the Shares. There can be no assurance that an active, liquid trading market for the Shares will develop or be sustained following the listing of the Shares on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard) (the "**Listing**"). The price of the Offer Shares will be determined and established by the Company and the Selling Shareholder after consultation with Hauck & Aufhäuser Privatbankiers Aktiensgesellschaft and MainFirst Bank Aktiengesellschaft (collectively, the "**Joint Bookrunners**") on the basis of a book-building procedure. The price for the Offer Shares determined and established in this manner may not correspond to the price at which the Shares will be traded on the Frankfurt Stock Exchange after the Offering. Active trading in the Shares might not develop or continue after the Offering. If fewer than all Offer Shares are sold or the greenshoe option to purchase up to 300,000 additional Shares from the holdings of the Selling Shareholder (the "**Greenshoe Option**") is not exercised by the Joint Bookrunners in full or at all, the free float and thus the liquidity of the Shares after the Listing will be lower, which may have an additional adverse effect on investors' ability to trade the Shares. Investors may not be in a position to sell their Shares quickly or at all or at the market price if there is no active trading in the Shares. If an active market for the Shares does not develop after the Listing, the liquidity and market price of the Shares may be adversely affected.

3.5.3 The share price and trading volume of the Company´s shares could fluctuate significantly, and investors could lose all or part of their investment.

Following the listing of the Company´s shares and any future offerings, the trading volume and share price may fluctuate significantly. The Company´s share price will be affected primarily by the supply and demand for the shares and could fluctuate significantly in response to numerous factors, many of which are beyond the Company´s control. These factors include, among others, fluctuations in actual or projected results of operations, changes in projected earnings or failure to meet securities analysts' earnings expectations, the absence of analyst coverage on the Company, changes in trading volumes, changes in macroeconomic conditions, including fluctuations in foreign currencies, the activities of competitors and suppliers, changes in the market valuations of similar companies, changes in investor and analyst perception of the Company or its industry, changes in the statutory framework in which STS Group operates and other factors. In addition, general market conditions and fluctuations of share prices and trading volumes, particularly of shares of companies in the same sector, could lead to pressure on the Company´s share price, even though there may not be a reason for this based on the Company´s business performance or earnings outlook. If the Company´s share price or the trading volume decline, investors could lose part or all of their investment in the Company´s shares.

3.5.4 Even if all Offer Shares are placed in the Offering, the Company's largest shareholder mutares AG (Selling Shareholder) will be able to continue to exercise substantial influence over the Company and its business activities. The interests of the Company´s largest shareholder could conflict with the interests of its other shareholders.

Upon completion of the Offering, the Selling Shareholder will hold approximately 61.6% of the issued Shares (assuming the placement of 2.3 million Offer Shares and exercise of the Greenshoe Option in full). Due to its controlling stake, the Selling Shareholder will be in a position to exert substantial influence at the Company's general shareholders' meeting and, consequently, on matters decided by the general shareholders' meeting, including the appointment of Supervisory Board members, the distribution of dividends, and any proposed capital increases. The Selling Shareholder´s future stake in the Company will allow it, depending on attendances at the general shareholder's meeting, to exercise significant influence on decisions of the Company's general shareholders' meeting. The interests of the Selling Shareholder may substantially deviate from, or conflict with, the interests of the Company's other shareholders. There can be no assurance that the Selling Shareholder will exercise its influence over the Company in a way that serves the interests of the Company's other shareholders.

3.5.5 Future sales by the Company's shareholders could depress the price of its Shares.

Sales of a substantial number of the Company's shares in the public market following the listing or the perception that such sales might occur, could depress the market price of the Company´s shares and could impair the ability of the Company to raise capital through the sale of additional equity securities. If, for example, one or more of other shareholders effect a sale or sales of a substantial number of the Company´s shares, or if the market assumes that such sales might take place, this could have a material adverse effect on the share price of the Company´s shares.

3.5.6 Future offerings of equity or debt securities by the Company could adversely affect the share price of its shares, and future capitalization measures could substantially dilute the interests of its existing shareholders.

The Company may require additional capital in the future to finance its business operations and growth. Thus, the Company may seek to raise capital through offerings of equity securities or debt securities. An issuance of additional equity securities or debt securities containing a right to convert into equity, such as convertible debentures and option debentures, could potentially reduce the market price of the Company´s shares and could dilute the economic and voting rights of the Company´s existing shareholders if made without granting subscription rights to its existing shareholders.

Because the timing and nature of any future offering would depend on market conditions at the time of the future offering, the Company cannot predict or estimate the amount, timing or nature of any future offering. In addition, the acquisition of other companies or investments in companies in exchange for newly issued shares of the Company, as well as the exercise of stock options by employees of STS Group in the context of the existing and possible future stock option programs, or the issuance of Company´s shares to employees in the context of possible future employee share participation programs, could lead to a dilution of the economic and voting rights of the Company´s existing shareholders. Therefore, the Company´s shareholders bear the risk that such future offerings could reduce the market price of its shares and/or dilute their shareholdings.

3.5.7 The Company´s ability to pay dividends depends, among other things, on its financial condition and results of operations.

The Company's general shareholders´meeting will decide matters relating to the payment of future dividends. These decisions will be based on the particular situation of the Company at the time. The ability of the Company to pay dividends depends upon, among other things, the results of operations, financing and investment requirements, as well as the availability of distributable profit. Certain reserves must be established by law and must be deducted when calculating the distributable profit. In addition, debt financing arrangements contain or may contain covenants which impose restrictions on STS Group´s business and on its ability to pay dividends under certain circumstances. Any of these factors, individually or in combination, could restrict the ability of the Company to pay dividends.

3.5.8 An investment in the shares of the Company by an investor whose principal currency is not Euro may be affected by exchange rate fluctuations.

The shares of the Company are, and any dividends to be paid in respect of them will be, denominated in Euro. An investment in the Company´s shares by an investor whose principal currency is not Euro exposes the investor to foreign currency exchange rate risk. Any depreciation of the Euro in relation to an investor’s principal currency will reduce the value of the investment in the Company´s shares or any dividends in relation to such currency.

3.5.9 The Company will incur increased costs as a result of operating as a public company, and its management will be required to devote substantial time to additional compliance initiatives and to additional legal, regulatory and administrative requirements. If the Company fails to comply with these requirements, it will possibly damage its reputation and may affect an investment in the Shares.

As a public company whose shares are listed on the regulated market of the Frankfurt Stock Exchange in the sub-segment with additional post-admission obligations (Prime Standard), the Company incurs significant accounting, legal and other expenses that it did not incur as a private company. In particular, the Company will be required to issue half-year interim financial statements as well as quarterly interim reports (*Quartalsmitteilungen*) for the first time and will incur other significant costs associated with its compliance with the public company reporting requirements of the German Securities Trading Act (*Wertpapierhandelsgesetz* – "**WpHG**") (which have been partly replaced as of 3 July 2016 by Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC), the German Stock Exchange Act

(*Börsengesetz*) and the Stock Exchange Regulation of the Frankfurt Stock Exchange (*Börsenordnung für die Frankfurter Wertpapierbörse*). Compliance with these rules and regulations will increase the Company's legal and financial compliance costs, introduce new costs (including stock exchange listing fees and costs related to investor relations and shareholder reporting), and make certain activities more time consuming and costly. They also might make it more difficult for the Company to obtain director and officer liability insurance at reasonable costs and the Company may incur substantial costs to maintain sufficient coverage.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies generally, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. The Company intends to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If the Company's efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us which could have an adverse effect. The Company cannot predict or estimate the amount or timing of additional costs it may incur in the future to respond to these continually evolving requirements. The impact of these requirements could also make it more difficult for the Company to attract and retain qualified persons to serve on its administrative board or in other senior management positions.

Furthermore, the Company might fail to establish and maintain effective systems of internal control over financial reporting or other obligations related to the Listing. These include the obligation to issue half-year interim financial statements and quarterly interim reports for the first time and no assurance can be given that the Company will comply with such regulations in the future given the fact that the Company is currently in the process of adjusting its internal functions towards such future requirements. If the Company fails to provide the necessary data or violates any other applicable rules and regulations, it might be faced with administrative proceedings which could, among other things, result in fines being imposed on the Company and ultimately the revocation of the listing order by the Frankfurt Stock Exchange. Furthermore, such non-compliance with the applicable rules and regulations would possibly damage the Company's reputation and may affect an investment in the Shares.

3.5.10 Risks related to stabilization measures (Greenshoe Option).

In connection with the placement of the Company's shares, Hauck & Aufhäuser Privatbankiers Aktiengesellschaft will act as stabilization manager and may take measures to affect the stock exchange price or market price of the shares of the Company in order to offset any negative price fluctuations in the short term. Such stabilization measures can result in a higher stock exchange price or market price of the shares in the Company compared to prices without these measures. Furthermore, the stock exchange price or market price may temporarily reach a level that cannot be maintained permanently.

4. General information

4.1 Responsibility for the content of the Prospectus

STS Group AG with its registered office in Hallbergmoos, in the District of Freising, Hauck & Aufhäuser Privatbankiers Aktiengesellschaft, Frankfurt am Main, Germany (**"Hauck & Aufhäuser"**) and MainFirst Bank Aktiengesellschaft, Frankfurt am Main, Germany (**"MAINFIRST"**) (Hauck & Aufhäuser and MAINFIRST hereinafter referred to as the **"Joint Bookrunners"**) assume responsibility for the content of this this securities prospectus (the **"Prospectus"**) pursuant to Section 5 (4) of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and herby confirm, that according to their knowledge the information is correct and that no material circumstances have been omitted. Notwithstanding Section 16 of the German Securities Prospectus Act, neither the Company nor the Joint Bookrunners are required by law to update this Prospectus.

In the event that claims are asserted by an investor before a court of law due to the information contained in the Prospectus, the investor may, in its capacity as plaintiff, under the respective national legislation of the relevant Member State of the European Economic Area, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

4.2 Subject Matter of the Prospectus

This Prospectus relates to the Offering (as defined below) of a total of 2,300,000 ordinary bearer shares of the Company with no par value (*auf den Inhaber lautende Stückaktien*), each such share with a notional value of EUR 1.00 in the share capital of the Company and with full dividend rights as of 1 January 2018, comprising:

- 1,000,000 newly issued ordinary bearer shares with no par value from a capital increase against cash contributions resolved by an extraordinary general shareholders' meeting of the Company on 8 May 2018 (the "**New Shares**");
- 1,000,000 existing ordinary bearer shares with no par value (*Stückaktien*) from the holdings of the the Selling Shareholder (the "**Sale Shares**"); and
- 300,000 existing ordinary bearer shares with no par value from the holdings of the Selling Shareholder under a securities loan in connection with a possible over-allotment by the Joint Bookrunners (the "**Over-Allotment Shares**", together with the New Shares and the Sale Shares, the "**Offer Shares**") pursuant to which the Selling Shareholder granted the Joint Bookrunners the option to acquire up to 300,000 additional shares from the holdings of the Selling Shareholder in the Company until the 30th calendar day after the inclusion of the stock exchange trading of the Company's shares at the offer price minus the agreed commissions and costs and thereby fulfill their re-transfer obligation from the securities loan (the "**Greenshoe Shares**" or the "**Greenshoe Option**").

Furthermore, for the purposes of admission to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange, the Prospectus relates to up to 6,000,000 ordinary bearer shares of the Company (entire share capital, including the New Shares), each such share with no-par value and a notional interest of EUR 1.00 in the share capital and full dividend rights from 1 January 2018.

4.3 Forward-looking statements

This Prospectus contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts or events or to facts or events as of the date of this Prospectus. This applies, in particular, to statements in the Prospectus on future earnings capacity, plans and expectations regarding the STS Group´s business, its growth and profitability, as well as the general economic and legal conditions and other factors to which the STS Group is exposed.

The forward-looking statements contained in this Prospectus are based on the Company's current estimates and assessments. These forward-looking statements are based on assumptions and are subject to risks, uncertainties and other factors, the occurrence or non-occurrence of which could cause actual circumstances - including with regard to the assets, business, financial condition and results of operations as well as profitability of the Group - to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. Even if future results of the Group meet the expectations expressed herein, they may not be indicative of the results of any succeeding periods.

The STS Group's business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, estimate or prediction in this Prospectus to become inaccurate. In consideration of the risks, uncertainties and assumptions the future events mentioned in the Prospectus may also not occur. Neither the STS Group AG nor its management can therefore guarantee the future accuracy of the opinions presented in the Prospectus or the actual occurrence of the forecasted developments.

Moreover, the STS Group AG assumes no obligation to update such forward-looking statements or to adjust these to future events or developments, unless it is legally required to do so. Such a legal obligation exists pursuant to Section 16 of the German Securities Prospectus Act with regard to important new circumstances or material misstatements or inaccuracies of the Prospectus, which have to be mentioned in a supplement.

4.4 Information from third parties and Company estimates

Any information provided in this Prospectus on market shares, market developments and trends, on growth rates, sales in the markets and on the competitive situation of the STS Group AG are based on publically accessible sources or estimates of the STS Group AG. The sources of the respective information are listed at the appropriate places in the Prospectus.

To the extent information in the Prospectus was derived from third-party sources, it has been reproduced accurately. As far as the STS Group AG is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. However, industry and market research reports and analyses and other sources of third party information are frequently based on information and assumptions that may not be accurate, complete or technically correct, and their methodology is by nature forward-looking and speculative.

The following, mainly publicly available third-party sources were used in the preparation of the Prospectus:

- Lazard and Roland Berger, Global Automotive Supplier Study 2018, published on December 2017;
- Business Wire, Inc., Light Commercial Vehicle Market in Europe 2017-2021: Driven by Growth in the Construction Industry - Research and Markets, October 2017, accessable on https://www.businesswire.com/news/home/20171011005499/en/Light-Commercial-Vehicle-Market-Europe-2017-2021-Driven; and
- BAIRD, Global Auto & Truck Markets – Road Map to the Global Auto & Truck Markets, published on 5 September 2017.

Such information generally states that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. Irrespective of the assumption of responsibility or the contents of the Prospectus by the STS Group AG and the Joint Bookrunners and the validity of the statements made in the previous paragraph of this section, neither the STS Group AG nor the Joint Bookrunners have verified the figures, market data and other information used by third parties in their studies, publications and financial information, or the external sources on which the STS Group AG estimates are based. The STS Group AG and the Joint Bookrunners cannot give any assurance as to the accuracy of market data contained in the Prospectus which have been taken or derived from these industry publications or reports. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents, including judgements about what types of products and transactions should be included in the relevant market. Therefore, irrespective of the validity of the statements made in the previous paragraph of this section, the STS Group AG and the Joint Bookrunners do not assume any liability for and offer no guarantee as to the accuracy of the data from studies and third-party sources contained in the Prospectus and/or for the accuracy of data on which the STS Group AG`s estimates are based. Furthermore, the Prospectus contains market estimates and other data and information which are based on the STS Group AG's assessments. These assessments, in turn, are based in part on its own observations of the market, on the evaluation of industry information and data that cannot be obtained from publications by market research institutes or from other independent sources or on internal assessments. The Company believes that its estimates of market and other data and the information that has been derived from such data assists investors to better understand the industry it operates in and its position within it. Its own estimates and the information derived from them have not been checked or verified externally. They may differ from estimates made by its competitors or from future studies conducted by market research institutes or other independent sources. It nevertheless assumes that its own market observations are reliable.

4.5 Documents available for inspection

For the period during which the Prospectus is valid, copies of the following documents are available for inspection during regular business hours at the STS Group AG's registered office at Zeppelinstraße 4, 85399 Hallbergmoos:

- This Prospectus;
- Articles of association of the Company;
- Annual financial statements of STS Group AG prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the financial year ended 31 December 2015, including a statement of changes in equity and cash flow statement as of and for the financial year ended 31 December 2015;
- Consolidated financial statements of STS Group AG prepared in accordance with IFRS as of and for the financial year ended 31 December 2016 (with comparative financial information as of and for the financial year ended 31 December 2015);
- Consolidated financial statements of STS Group AG prepared in accordance with IFRS as of and for the financial year ended 31 December 2017;
- Annual financial statements of STS Group AG prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the financial year ended 31 December 2017; and
- Pro forma consolidated financial information of STS Group AG consisting of a pro forma income statement for the financial year ended 31 December 2017 and pro forma notes.

The approved Prospectus as well as the documents mentioned in this Prospectus are also published on the Company's webpage at www.sts.group under the section "Investor Relations". A printed version of the Prospectus will be provided to the investors by the STS Group AG after approval of the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht)* upon request free of charge.

4.6 Information regarding financial information and currency

4.6.1. Financial information

The financial information contained in the Prospectus is mainly taken or derived from the audited consolidated financial statements of the Company as of and for the financial years ended 31 December 2017 and 31 December 2016 (with comparative financial information as of and for the financial year ended 31 December 2015) prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union (“IFRS”) (together, the "**Audited Consolidated Financial Statements**"), the audited annual financial statements of the Company as of and for the financial year ended 31 December 2017 prepared in accordance with the German Commercial Code (*Handelsgesetzbuch; HGB*) (the "**German GAAP Financial Statements 2017**"), the audited annual financial statements of the Company as of and for the financial year ended 31 December 2015, including a statement of changes in equity and cash flow statement as of and for the financial year ended 31 December 2015, prepared in accordance with the German Commercial Code (*Handelsgesetzbuch; HGB*) (the “**German GAAP Financial Statements 2015**” together with the German GAAP Financial Statements 2017, the “**Audited Unconsolidated Financial Statements**”), which are included in the section “24” of the Prospectus. Unless otherwise indicated, the term 'financial year' refers to a financial year of the Company, i.e., a financial year beginning on 1 January in a given calendar year and ending on 31 December of the same calendar year.

The financial information as of and for the financial year ended 31 December 2015 has been extracted from the comparative financial information included in the audited consolidated financial information of the Company as of and for the financial year ended 31 December 2016 whereas the financial information as of and for the financial year ended 31 December 2016 has been extracted from the comparative financial information included in the audited consolidated financial information of the Company as of and for the financial year ended 31 December 2017.

The Audited Consolidated Financial Statements and the Audited Unconsolidated Financial Statements were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Bernhard-Wicki-Straße 8, 80636 Munich, Germany ("**PwC**"). PwC is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Rauchstraße 26, 10787 Berlin, Germany. PwC issued in each case an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*) thereon as included in the Prospectus. For further details on the financial information see section “*10. Selected Consolidated Financial and Business Information*" and section “*11. Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Where financial information in the Prospectus is denoted as "audited", this means that it was taken from the Audited Consolidated Financial Statements or from the Audited Unconsolidated Financial Statements. The label "unaudited" is used in the Prospectus to indicate financial information that was not taken from the Audited Consolidated Financial Statements or the Audited Unconsolidated Financial Statements but that was either taken or derived from our internal accounting records or management reporting systems or is based on calculations of these figures or recomputed from the Audited Consolidated Financial Statements or Audited Unconsolidated Financial Statements.

4.6.2 Non-IFRS measures

Throughout the Prospectus, the STS Group presents certain financial measures and adjustments that are not defined by IFRS, or any other internationally accepted accounting principles, such as gross profit, gross profit margin, EBIT, EBITDA, EBITDA margin, Adjusted EBITDA and Adjusted EBITDA margin (collectively, the "**Non-IFRS Measures**").

As these Non-IFRS Measures are not defined by IFRS or any other internationally accepted accounting principles, you should not consider such items as an alternative to the historical financial results or other indicators of its performance, liabilities or net assets based on IFRS measures. For further information, see *"10. Selected Consolidated Financial and Business Information"*.

4.6.3 Information on currencies

In the Prospectus, "**€**", "**Euro**" or "**EUR**" refer to the single European currency adopted by certain participating member states of the European Union, including Germany. The amounts in "**USD**" refer to the legal currency of the USA. The amounts in in "**CNY**" or "**RMB**" refer to the legal currency of China. Amounts in “**PLN**” refer to the legal currency in Poland. The amounts in **"BRL"** refer to the legal currency of Brazil. The amounts in "**MXN**" refer to the legal currency of Mexico.

The Company´s principal functional currency is the Euro and the Company prepares its financial statements in Euro.

4.6.4 Note regarding figures and technical terms

Numerical figures contained in the Prospectus in units of thousands, millions or billions as well as percentages relating to numerical figures have been rounded in accordance with standard commercial practice. Therefore, totals or subtotals contained in tables may differ minimally from figures provided elsewhere in the Prospectus, which have not been rounded off. Due to rounding differences, individual numbers and percentages may not add up exactly to the totals or sub-totals contained in the tables or mentioned elsewhere in the Prospectus. In respect of financial data set out in the Prospectus, a dash ("**–**") signifies that the relevant figure is not available, while a zero ("**0**") signifies that the relevant figure is available but is, or has been rounded to, zero.

A glossary of certain technical and financial terms and abbreviations used in the Prospectus is provided at the end of the Prospectus under the heading "*25. Glossary*".

5. The Offering

5.1 Subject matter of the Offering

The Offering (as defined below) consists of a total of 2,300,000 ordinary bearer shares of the Company with no par value (*Stückaktien*), each such share with a notional value of EUR 1.00 in the share capital of the Company and with full dividend rights as of 1 January~~,~~ 2018, comprising:

- 1,000,000 newly issued ordinary bearer shares with no par value (*Stückaktien*) from a capital increase against cash contributions (the **"Capital Increase"**) resolved by an extraordinary general shareholders' meeting of the Company on 8 May 2018 (the **"New Shares"**);

- 1,000,000 existing ordinary bearer shares with no par value (*Stückaktien*) from the holdings of the the Selling Shareholder (the **"Sale Shares"**); and

- 300,000 existing ordinary bearer shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholder under a securities loan in connection with a possible over-allotment by the Joint Bookrunners (the **"Over-Allotment Shares"**, together with the New Shares and the Sale Shares, the **"Offer Shares"**);

The Offering consists of a public offering of the Offer Shares in the Federal Republic of Germany (**"Germany"**) and the Grand Duchy of Luxembourg **("Luxembourg")** (the **"Public Offering"**) and private placements in certain jurisdictions outside Germany and Luxembourg including a private placement in the United States of America (**"United States"** or **"U.S."**) together, with the Public Offering, the **"Offering"**). In the United States, the Offer Shares are being offered for sale only to qualified institutional buyers as defined in Rule 144A under the U.S. Securities Act of 1933, as amended (the **"Securities Act"**) in reliance on the Rule 144A exemption or another exemption under the Securities Act. Outside the United States, the Offer Shares are being offered in “offshore transactions" within the meaning of, and in reliance on, Regulation S under the Securities Act. The Offer Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States.

The share capital of the Company amounts to EUR 5,000,000 as of the date of the Prospectus and is divided into 5,000,000 ordinary bearer shares with no-par value (all shares of the Company outstanding from time to time, together the “**Shares**” and each share a “**Share**”). Each Share currently represents a notional interest of EUR 1.00 in the share capital of the Company.

The extraordinary general meeting of the Company held on 8 May 2018 resolved on the Capital Increase in order to create the New Shares. Registration of the resolution with the commercial register and the implementation of the Capital Increase are expected on or before 30 May~~,~~ 2018. As of the start of trading, the Company´s total share capital will amount to up to EUR 6,000,000 divided into up to 6,000,000 Shares. All existing Shares are fully paid-up and all New Shares will be fully paid-up upon issuance.

Solely to cover over-allotments, if any, in connection with the Offering, the Selling Shareholder has granted the Joint Bookrunners the option to purchase up to 300,000 shares from the holdings of the Selling Shareholder in the Company (the **"Greenshoe Shares"**) at the Offer Price, exercisable for 30 calender days following the date on which the Shares commence trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (the **"Greenshoe Option"**).

The Company will receive the proceeds from the sale of the New Shares (after deduction of commissions and expenses to be borne by the Company) and the Selling Shareholder (the **"Selling Shareholder"**) will receive the proceeds from the sale of the Sale Shares and the Greenshoe Shares (after deduction of commissions and expenses to be borne by the Selling Shareholder, see “*6. Reasons for the Offering, Proceeds and Costs of the Offering*”

Prior to the Offering, the entire share capital of the Company was held by the Selling Shareholder, see “*18. Shareholder Structure”* Following completion of the Offering and assuming full placement of the

Offer Shares and full exercise of the Greenshoe Option, the Selling Shareholder will hold approximately 61.6% of the Company´s share capital.

The Offer Shares carry the same rights as all other Shares and confer no additional rights or benefits. All Shares, including the Offer Shares, are subject to and governed by German stock corporation law.

5.2 Price range, offer period, offer price and number of Offer Shares

5.2.1 Price Range

The price range within which subscription offers can be submitted is between EUR 26.00 and EUR 32.00 per Offer Share (the **"Price Range"**).

5.2.2 Offer Period

The offer period during which subscription offers can be submitted will commence on 15 May~~,~~ 2018 and is expected to end on 29 May 2018 (i) at 12:00 p.m. (noon) Central European Summer Time ("**CEST**") for retail investors (natural persons) and (ii) at 3 p.m. CEST for institutional investors (the **"Offer Period"**).

Institutional investors may place subscription offers directly with the Joint Bookrunners during the Offer Period.

Private investors can make subscription offers in the Public Offering in Germany on the day after the beginning of the Public Offering through the subscription functionality of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) in the XETRA trading system for the collection and settlement of subscription offers (the **"Subscription Functionality"**).

Investors who want to submit subscription offers for the Offer Shares through the Subscription Functionality must submit them to their respective depositary bank between 16 May~~,~~ 2018 and 29 May~~,~~ 2018, at 12:00 (noon) (CEST). This requires that the depositary bank (i) has been admitted as a trading participant to the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) or has access to trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) via an accredited trading participant; (ii) is connected to XETRA; and (iii) is authorized and able to use the Subscription Functionality according to the Terms and Conditions of Deutsche Börse AG for use of the XETRA subscription functionality (such depositary bank, a **"Trading Participant"**).

The Trading Participant issues purchase orders for the investor at the investor's request through the Subscription Functionality. Purchase order can have price limits (in 10 cent increments) within the price range. In its function as Order Book Manager, Wolfgang Steubing AG Wertpapierdienstleister records the subscription functionality (the **"Order Book Manager"**) of all subscription requests of the Trading Participant in a central order book and will, at the end of the subscription period, accept these in full or in part or not accept these as part of the allocation in consideration of any limits. By accepting of the subscription requests, the Order Book Manager concludes a sale and purchase Agreement for the respective number of shares. It is subject to the condition precedent that the shares have not been created on the value date or have not been provided.

Investors in Luxembourg whose depositary bank is not a Trading Participant may instruct a Trading Participant (as defined above) via their depositary bank to submit a subscription offer through the Subscription Functionality and execute it after acceptance by Wolfgang Steubing AG Wertpapierdienstleister together with the depositary bank of the investor.

Subscription offers have to be made for at least 20 Offer Shares and the selected offer price has to be provided in full euro amounts and in 10 euro cent increments for each offer share. Multiple subscriptions by investors are allowed. Subscription offers can be freely revoked until the end of the Offer Period, unless otherwise agreed individually. It is possible to withdraw from a properly made purchase until the end of the Offer Period. Usually, even in the event of a partial or full withdrawal or reduction in a purchase offer, it will not be necessary to reimburse overpaid amounts, since the allocation of the Offer Shares shall take place after the end of the Offer Period by way of payment against delivery and investors therefore do not pay the offer price in advance. If, in individual cases, an investor already paid the amounts and then withdraws its purchase offer in full or in part, or reduces its purchase offer, the paid amount will be reimbursed to the investor immediately to the bank account used for the deposit.

5.2.3 Changes of the Terms of the Offering

The Company and the Selling Shareholder reserve the right, after consultation with the Joint Bookrunners, to reduce or increase the number of Offer Shares, to reduce or increase the upper and lower limits of the Price Range and/or to extend or shorten the Offer Period. If the number of Offer Shares, the Price Range and/or the Offer Period (collectively, the **“Offering Terms”**) is or are, as the case may be, changed, the change will be announced on the website of the Company (www.sts.group) and be published via various media distributed across the entire European Economic Areas (*Medienbündel*). To the extent required under the German Securities Prospectus Act (*Wertpapierprospektgesetz*), a supplement to the Prospectus will be submitted to the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin*) and published after being approved by the BaFin on the website of the Company (www.sts.group). Any changes to the Offering Terms will also be published by way of ad hoc announcement, if required under Article 17 of the Market Abuse Regulation. Investors will not be notified individually. Changes to the Offering Terms will not invalidate purchase orders which have already been submitted. Under the German Securities Prospectus Act (*Wertpapierprospektgesetz*), investors who have submitted a purchase order before a supplement is published are granted a period of two business days from publication of the supplement to withdraw their orders, provided that the new circumstance or material mistake that makes a supplement necessary occurred prior to the final expiration of the Offering and prior to the delivery of the shares. Within two days of publication of the supplement, instead of withdrawing the subscription offers placed prior to the publication of the supplement, the investor may change such orders or submit new limited or unlimited orders.

The Company is entitled to end the offer at any time early if certain circumstances develop, and also still after the end of the Offer Period up to 4:00 p.m. on the settlement date (which is expected to be on or around 1 June 2018).

The underwriting agreement between the Company, the Selling Shareholder and the Joint Bookrunners entered into on 14 May 2018 (the **"Underwriting Agreement"**) stipulates that the Joint Bookrunners may terminate the Underwriting Agreement under certain circumstances, even after the shares have been allotted and listed and up to delivery and settlement of the Offer Shares. If the Underwriting Agreement is terminated, the Offering will not take place. In this case, any allotments already made to investors will be invalidated, and investors will have no claim for delivery. Claims with respect to security commissions already paid and costs incurred by an investor in connection with the subscription will be governed solely by the legal relationship between the investor and the institution to which the investor submitted its purchase order. Investors engaging in short selling, bear the risk of being unable to satisfy their delivery obligations.

5.2.4 Determination of the Offer Price and the final Number of Offer Shares to be placed

After expiry of the Offer Period, expected to take place on or around 29 May~~,~~ 2018, the final number of the Offer Shares and the offer price (the **"Offer Price"**) will be determined by the Company and the Selling Shareholder after consultation with the Joint Bookrunners using the order book prepared during the bookbuilding process. The determination of the Offer Price and the determination of the final number of Offer Shares to be placed will be based on the purchase orders submitted by investors during the Offer Period which will be collected in the order book. These orders will be evaluated according to the prices offered and the investment horizons of the respective investors. Consideration will also be given to whether the Offer Price and the number of Offer Shares to be placed allow for the reasonable expectation that the share price will demonstrate steady performance in the secondary market given the demand for the Offer Shares noted in the order book. Attention will be paid not only to the prices offered by investors and the number of investors wanting Offer Shares at a particular price but also to the composition of the group of shareholders in the Company that would result at a given price (so-called investor mix) and expected investor behaviour. After the Offer Price and the final number of Offer Shares to be placed are determined, the Offer Shares will be allotted to investors (see below sections “*5.5 Allotment Criteria*”).

Neither the Company, nor the Selling Shareholder, nor the Joint Bookrunners will charge investors any expenses or taxes incurred in connection with the Offering. The subscription costs of the investors depend exclusively on the conditions of the custodian bank. Claims regarding any subscription fees already paid and costs incurred by an investor in connection with the subscription depend exclusively on the legal relationship between the investor and the financial institution to which the investor submitted its purchase offer.

5.2.5 Publication of the Offer Price and final Number of Offer Shares

The final number of the Offer Shares and the Offer Price (i.e., the results of the Offering) are expected to be published on or around 29 May 2018 by way of an ad hoc announcement via various media distributed across the entire European Economic Area (*Medienbündel*) and on the Company´s website (www.sts.group) in the Investor Relations section. Investors which have submitted purchase orders through a Joint Bookrunner are expected to be able to inquire as to the Offer Price and the number of Offer Shares allotted to them with that Joint Bookrunner no earlier than the bank business day following the determination of the Offer Price. The Offer Shares allotted are expected to be delivered in book-entry form against payment of the Offer Price and of the customary securities commissions payable to the depositary banks on 1 June~~,~~ 2018. The Joint Bookrunners, after consultation with the Company and the Selling Shareholder, reserve the right not to accept investors` orders, either in whole or in part.

5.3 Expected Timetable for the Offering

The anticipated timetable for the Offering, which is subject to extension or shortening, is as follows:

14 May 2018	Approval of the Prospectus by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (**"BaFin"**) Notification of the approved Prospectus to the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier*) (**"CSSF"**)
14 May 2018	Publication of the Prospectus on the Company's website at www.sts.group in the "Investor Relations" section
14 May 2018	Application for admission to trading for the 5,000,000 existing shares of the Company and the up to 1,000,000 New Shares with the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)
15 May 2018	Commencement of the Offer Period (for institutional investors) Commencement of marketing (roadshow)
16 May 2018	Commencement of the Offer Period (for investors, in particular retail investors, which want to submit subscription offers via the Subscription Functionality)
29 May 2018	Close of the Offer Period for subscription offers via the Subscription Functionality at 12:00 (noon) (CEST) and for institutional investors at 3:00 pm (CEST) Resolution of the Management Board on the number of New Shares to be issued with approval of the Supervisory Board Determination of the Offer Price and allotment; publication of the Offer Price and number of the New Shares placed pursuant to Article 17 MAR via ad hoc announcement in various media distributed across the entire European Economic Area and on the Company's website (www.sts.group)
30 May 2018	Registration of the resolution on the capital increase regarding the New Shares with the commercial register of the Company
30 May 2018	Admission decision regarding the 5,000,000 existing shares of the Company and the up to 1,000,000 New Shares announced by the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)
1 June 2018	First trading day

	Book-entry delivery of the Offer Shares against payment of the Offer Price

This Prospectus and any supplements will be published on the Company's website at www.sts.group (Investor Relations). In addition, copies of the printed Prospectus and any supplements thereto will be available upon publication free of charge during regular business hours at the offices of the Company (Hallbergmoos, Germany).

5.4 Information on the Offer Shares

5.4.1 Voting rights

Each Offer Share carries one vote at the general shareholders' meeting of the Company. There are no restrictions regarding the voting rights other than the restrictions provided by law in certain cases and there are no different classes of voting rights.

5.4.2 Dividend rights, right to share in the liquidation proceeds and subscription rights

The Offer Shares carry full dividend rights from 1 January 2018. The annual general shareholders' meeting of the Company, which is held once annually within the first eight months of the respective financial year, decides on the appropriation of any net retained profit and thus on the full or partial disbursement thereof to shareholders. The Management Board and the Supervisory Board are required to submit a recommendation on the appropriation of profit, but the annual General Shareholders' Meeting of the Company is not bound by such recommendation. Individual shareholders have no claim to the disbursement of dividends unless the annual General Shareholders' Meeting of the Company has passed a resolution to that effect. The annual General Shareholders' Meeting of the Company may decide to make an in-kind distribution in addition to, or instead of, a cash distribution.

By law, claims to the payment of dividends generally become time-barred after three years, after which time the Company may refuse to make any disbursement. Once the global share certificates representing the Shares are deposited with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany ("**Clearstream**"), Clearstream will automatically credit any dividends accruing on the Shares in the future to the securities accounts held at the respective custodian banks. Domestic custodian banks are under a corresponding obligation to their customers. Shareholders whose Shares are held in custodial accounts at foreign institutions should inform themselves about the procedure applicable at such institutions. Forfeited dividend claims shall accrue to the Company.

In the event the Company is dissolved, any liquidation proceeds would be distributed to the shareholders in proportion to their interest in the Company's share capital pursuant to Section 271 of the German Stock Corporation Act (*Aktiengesetz*).

Shareholders have the right to subscribe for new shares issued pursuant to any future capital increases in a ratio proportionate to the respective interest they hold in the Company's current share capital (subscription right). No subscription rights exist in the case of contingent capital increases; otherwise, subscription rights may be excluded by resolution of the annual General Shareholders' Meeting of the Company or, if the annual General Shareholders' Meeting of the Company so authorizes, by resolution of the Management Board, subject to the consent of the Supervisory Board (for further details see section "*16. Information on the Company's Share Capital and further Material Provisions of the Articles of Association*").

5.4.3 Form and representation of Shares

All of the Shares are ordinary bearer shares with no-par value (*auf den Inhaber lautende Stückaktien*), each such share with a notional interest of EUR 1.00 in the share capital, and have been issued based on the provisions of the German Stock Corporation Act (*Aktiengesetz*).

The Company's current share capital in the amount of EUR 5,000,000.00 is represented by one global share certificate without dividend coupons, which is held with Clearstream. An additional global share certificate without a dividend coupon will be issued for the New Shares resulting from the Capital Increase and will likewise be deposited with Clearstream on or around 28 May~~,~~ 2018.

The Management Board, in accordance with Section 5, paragraph 3 of the Company's current articles of association, determines the form and content of share certificates and any interim certificates, dividend coupons and renewal coupons. Section 5, paragraph 2 of the Company's current articles of association stipulates that the shareholders' right to the issuance of share certificates representing their respective Shares shall be excluded to the extent permitted by law and unless certification is required under the rules applicable at a stock exchange on which the Shares are admitted to trading. The relevant certificates are signed by the Management Board.

5.4.4 Delivery and settlement

The Offer Shares allotted will be made available to investors as co-ownership interests in the respective global share certificate. Delivery of the Offer Shares allotted against payment of the Offer Price and the customary securities commissions payable to the depositary banks is expected to take place on 1 June~~,~~ 2018. Shares purchased in the Offering will, at the shareholder's discretion, be credited to the securities account of a credit institution for the account of such investor at Clearstream or to the securities account of a member in Euroclear Bank S.A. / N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels, as the operator of the Euroclear System, or to Clearstream Banking S.A., 42 Avenue JF Kennedy, 1855 Luxembourg, Luxembourg.

5.4.5 Transferability

The Offer Shares are freely transferable in accordance with the legal provisions applicable to bearer shares. With the exception of the restrictions set out in section "*5.8 Market protection agreements (Lock-up)*", there are no restrictions on the transferability or lock-ups affecting the shares of the Company.

5.4.6 ISIN, WKN and trading symbol

International Securities Identification Number (ISIN)	DE000A1TNU68
German Securities Code (Wertpapier-Kenn-Nummer) (WKN)	A1TNU6
Trading Symbol	SF3

5.4.7 Selling Shareholder

Immediately prior to the Offering, the Selling Shareholder holds 100% of the Company's outstanding share capital. The Selling Shareholder plans to place part of its shares from its respective holdings in connection with the Offering. It is expected that the Selling Shareholder will continue to hold approximately 61.6% of the Company's outstanding share capital upon completion of the Offering (assuming full exercise of the Greenshoe Option). For further details on the ownership structure of the Company see "*18. Shareholder Structure*".

5.5 Allotment Criteria

The allotment of shares to investors who have submitted subscription offers via the Subscription Functionality and institutional investors will be decided by the Company and the Selling Shareholder in consultation with the Joint Bookrunners. There are no agreements in place among the Company, the Selling Shareholder and the Joint Bookrunners as to the allotment procedure. The ultimate decision on the allotment of Offer Shares to investors rests with the Company and the Selling Shareholder after consultation with the Joint Bookrunners. It is not possible to start trading before the reporting procedure.

Allotments to institutional investors will be made on the basis of the quality of the individual institutional investors (including with respect to expected holding strategy and order size), as well as other important allotment criteria (for example the timing of the order) and will be determined by the Company and the Selling Shareholder after consultation with the Joint Bookrunners. With respect to the subscription offers via the Subscription Functionality, the Company, the Selling Shareholder and the Joint Bookrunners will adhere to the "Principles for the Allotment of Share Issues to Private Investors" (*Grundsätze für die Zuteilung von Aktienemissionen an Privatanleger*) (i.e. drawing lots, allotment according to order size, allotment by means of a specific quote or allotment after the point in time of receipt of the purchase offer or selection according to other objective criteria (or a combination thereof)) issued on 7 June 2000 by the German Commission of Stock Exchange Experts (*Börsensachverständigenkommission*) of the German Federal Ministry of Finance (*Bundesministerium der Finanzen*). "Qualified investors" (*qualifizierte Anleger*) under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) as well as "professional clients" (*professionelle Kunden*) and "eligible counterparties" (*geeignete Gegenparteien*) under the German Securities Trading Act (*Wertpapierhandelsgesetz*) are not viewed as "private investors" within the meaning of the allotment rules. The details of the allotment procedure with respect to subscription offers via the Subscription Functionality will be stipulated after expiration of the Offer Period and published in accordance with the allotment principles.

5.6 Stock Exchange Admission and Commencement of Trading

The Company expects to apply for admission of its 5,000,000 existing shares and the up to 1,000,000 New Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard) on 14 May~~,~~ 2018. The decision on the admission of these up to 6,000,000 shares of the Company to trading is expected to be announced on or about 30 May~~,~~ 2018. The decision on the admission of the Company's shares to trading will be made solely by the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) at its discretion. Trading of these shares of the Company on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to commence on 1 June~~,~~ 2018.

5.7 Stabilization, Over-Allotment and Greenshoe Option

In connection with the placement of the Offer Shares and to the extent permitted by Article 5(4) of the Market Abuse Regulation in conjunction with the regulatory technical standards issued, Hauck & Aufhäuser Privatbankiers Aktiensgesellschaft or persons acting on its behalf will act as stabilization manager (in such capacity the **"Stabilization Manager"**) and may make over-allotments and take stabilization measures to support the market price of the shares of the Company and thereby counteract any selling pressure.

The Stabilization Manager is under no obligation to take any stabilization measures. Therefore, no assurance can be provided that any stabilization measures will be taken. Where stabilization measures are taken, these may be terminated at any time and without notice. Such measures may be taken from the date the shares of the Company are listed on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and must be terminated no later than 30 calendar days after this date (the "**Stabilization Period**"). These stabilization measures may result in a market price for the Company’s shares that is higher than it would otherwise have been. Moreover, the market price may be, temporarily, at an unsustainable level.

Under the possible stabilization measures, investors may, in addition to the New Shares and the Sale Shares, be allotted up to 300,000 additional shares in the Company from the holdings of the Selling Shareholder under a securities loan (*Wertpapierdarlehen*) granted by the Selling Shareholder to the Joint Bookrun-ners ("**Over-Allotment Shares**"). The Over-Allotment Shares will not exceed 15% of the total number of the New Shares and Sale Shares.

In order to cover a potential over-allotment, the Selling Shareholder will grant the Joint Bookrunners an option to acquire up to 300,000 Over-Allotment Shares in the Company from the Selling Shareholder in order to satisfy the retransfer obligation of the Joint Bookrunners under the securities loan ("**Greenshoe Option**"). The Greenshoe Option shall be exercisable until the 30th day after the commencement of trading in the Company’s shares on the stock exchange. If the Greenshoe Option is exercised in whole or in part, the securities loan will be redeemed using the proceeds originating from the acquisition of the Over-Allotment Shares by the Joint Bookrunners.

Within one week following the end of the Stabilization Period, an announcement will be published via various media distributed across the entire European Economic Area (*Medienbündel*) as to whether or not any stabilization measures were taken, when price stabilization started and finished, the date on which the last stabilization measure was taken, the Price Range within which stabilization measures were taken (for each date on which a stabilization measure was taken) and the trading venues on which stabilization measures were carried out. Any Over-Allotments and exercise of the Greenshoe Option, the date hereof and the number and type of the shares concerned will also be published promptly in the manner previously stated.

5.8 Market protection agreements (Lock-up)

In the Underwriting Agreement between the Company, the Selling Shareholder and the Joint Bookrunners entered into on 14 May 2018, the Company has agreed that it will not, for a period of six months following the admission of the Company's shares to trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (which is currently expected to take place on 30 May~~,~~ 2018), undertake nor agree to undertake and for a consecutive period of further six months will not undertake nor agree to undertake without prior written consent of the Joint Bookrunners any of the following actions:

(i) announce or effect any capital increase from authorized capital;
(ii) propose a capital increase to its general shareholders' meeting;
(iii) announce, effect or propose to the general shareholders' meeting any issuance of securities with conversion rights into or option rights with respect to shares of the Company except for the issue of stock options under an employee stock option program; or
(iv) enter into or announce a transaction or perform any action economically similar to those described in (i) through (iii).

With regard to its shares in the Company~~,~~ that are not subject to the sale of the Sale Shares or Over-Allotment, the Selling Shareholder has agreed, for a period of six months following the admission of the Company's shares to trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and for a consecutive period of further six months without prior written consent of the Joint Bookrunners,

(i) not to offer, pledge, allot, distribute, sell, contract to sell, sell any option or contract to purchase, transfer or otherwise dispose of, directly or indirectly, any shares of the Company or any other securities of the Company convertible into or exercisable or exchangeable for the shares of the Company held by it as of the date of this Prospectus;
(ii) not to propose a capital increase or the issuance of securities with conversion rights into or option rights with respect to shares of the Company to the general shareholders' meeting of the Company; and
(iii) not to enter into or announce any transaction or perform any action economically similar to those described in (i) and (ii) above.

5.9 Designated sponsor, paying agent and settlement agent

Hauck & Aufhäuser Privatbankiers Aktiengesellschaft ("**Hauck & Aufhäuser**") has agreed to assume the function of a designated sponsor of the Shares traded on the Frankfurt Stock Exchange for a period of at least two years and is entitled to designate an appropriately admitted third party to perform its functions. Pursuant to the designated sponsor agreement expected to be entered into by Hauck & Aufhäuser and the Company, Hauck & Aufhäuser will, among other things, place limited buy and sell orders for Shares in the electronic trading system of the Frankfurt Stock Exchange during regular trading hours against customary remuneration. This is intended to achieve greater liquidity in the market for the Shares. Among other things, the designated sponsor shall be available at all times during trading hours and, upon receipt of a request for a quote, shall promptly supply quotes and enter into transactions on such basis. In addition, the designated sponsor shall provide quotes throughout the auction. The designated sponsor shall receive a customary fee from the Company for its services.

Bankhaus Neelmeyer AG, Am Markt 14-16, 28195 Bremen, Germany, has been appointed as paying and registration agent at which any and all measures required with respect to the Shares may be effected free of charge.

5.10 Subscription by major shareholders, members of executive bodies or other persons in the amount of more than 5 %.

The members of the Company's Management Board and Supervisory Board and the principal shareholder will not subscribe for any New Shares as part of the Offering. The Issuer is not aware that other persons wish to subscribe to more than 5% of the Offering.

6. Reasons for the Offering, Proceeds and Costs of the Offering, Use of Proceeds, and Interests of Persons Participating in the Offering

6.1 Reasons for the Offering, proceeds and costs of the Offering and use of proceeds

6.1.1 Reasons for the Offering

The Company seeks to grow its business in the global industry automotive supply business. The Company believes that through the listing of the Shares it will increase its own visibility and improve its access to capital markets and diversify its shareholder based, all of which will allow it to grow as a business and become a more attractive employer for current and future employees.

The Selling Shareholder has informed the Company that it intends to reduce its shareholding in the Company through the placement of the Sale Shares and Greenshoe Shares (if any) and it believes that the Offering will be in the interest of the Company as the listing supports its growth and development as a global automotive industry supplier. In addition, the placement of the Sale Shares and the Greenshoe Shares (if any) by the Selling Shareholder will serve to create a freefloat which will help to ensure an attractive liquidity in the Shares. After the Offering, the Selling Shareholder will continue to hold a substantial stake in the Company at least approximately 61.6% (assuming (i) full placement of the Offer Shares and (ii) the full exercise of the Greenshoe Option).

6.1.2. Proceeds and Costs of the Offering

The Company will receive the proceeds (after deduction of the Joint Bookrunners' commissions and other costs to be borne by the Company) resulting from the sale of the New Shares. The Company will not receive any proceeds from the sale of the Sale Shares and the Greenshoe Shares, which will instead be received by the Selling Shareholder.

The amount of the gross proceeds from the Offering to the Company and the Selling Shareholder as well as the overall costs related to the Offering, including the Joint Bookrunners' commissions depend on the Offer Price and the number of shares that will be placed in the Offering.

Assuming full placement of 1,000,000 New Shares at an Offer Price of EUR 29.00, which is the mid-point of the price range set for the Offering of the Offer Shares (the "**Price Range**"), the total gross proceeds to the Company from the Offering will be EUR 29 million. The Company will bear the costs related to the placement of the New Shares as well as the listing of its entire share capital. Based on the aforementioned assumptions, the Company estimates that the commissions payable to the Joint Bookrunners and attributable to the Company (including a possible discretionary fee) together with the other costs attributable to the New Shares as well as the listing of the entire share capital will amount to approximately EUR 2,612,082. Accordingly, assuming an Offer Price at the mid-point of the Price Range, the net proceeds from the Offering to the Company (after deducting the Joint Bookrunners' commissions and other costs attributable to the Company) (the **"Net Proceeds"**) will amount to approximately EUR 26,387,918. The decision on the number of the New Shares to be placed will be made on 29 May 2018.

The Selling Shareholder will receive the proceeds from the sale of the Sale Shares (after deduction of the commissions and other costs to be borne by the Selling Shareholder with respect to the Sale Shares) and the Greenshoe Shares, to the extent the Greenshoe Option is exercised.

Assuming full placement of the 1,000,000 Sale Shares and full exercise of the 300,000 Greenshoe Option (which, in turn, would require full placement of the Over-Allotment Shares) at an Offer Price of EUR 29.00, which is the mid-point of the Price Range for the Offering of the Offer Shares, the total gross proceeds to the Selling Shareholder from the Offering will be EUR 37,7 million. The Selling Shareholder will bear the costs related to the placement of the Sale Shares as well as of the Greenshoe Shares. Based on the aforementioned assumptions, the Company estimates, that the commissions payable to the Joint Bookrunners and attributable to the Selling Shareholder (including a possible discretionary fee) together with the other costs attributable to the Sale Shares and the Greenshoe Shares will amount to approximately EUR 2,031,057. Accordingly, assuming an Offer Price at the mid-point of the Price Range, the net proceeds from the Offering to the Selling Shareholder (after deducting the Joint

Bookrunners' commissions and other costs attributable to the Selling Shareholder) will amount to approximately EUR 35,668,943.

If the Offer Price is set at the lower or higher end of the Price Range, the net proceeds both to the Company and the Selling Shareholder will be lower or higher than as shown above (i.e. at the mid-point of the Price Range).

6.1.3 Use of the issue proceeds

Subject to the restrictions below, the Company intends to use the net proceeds from the sales of the New Shares in connection with the offering to fund its future growth, in particular:

Assuming Net Proceeds to the Company of EUR 26,387,918 (i.e. based on the Offer Price at the mid-point of the Price Range and full placement of the Offer Shares), the Company intends to use the Net Proceeds as follows:

The issue proceeds generated from the Offering shall primarily be used for the future development of the business.

The STS Group AG sees five major areas of use of the proceeds to achieve a strategical advantage for the company.

- Expansion in China
  To increase the speed of the roll out of its China strategy, the STS Group AG estimates that it will use approximately 40% of the issue proceeds. Based on the increased demand for products manufactured by STS Group AG in China, the Company is currently renting a third plant to expand its current production facilities to grow its business in China. Given the specialties in business conduct for suppliers in China, a part of the proceeds will be needed for to finance the tooling costs and the increase in working capital.

- Increase in Eastern Europe
  To improve its footprint in Europe, STS Group AG intends to increase its further production capacities in low cost countries in Eastern Europe. The Company estimates investments of 32% for this measure. Due to the lower production costs the STS Group will further strengthen its competitiveness and will be able to increase the market share in Europe.

- Expansion within America
  To expand the business in the Americas, the Company plans to use proceeds in the range of 14%. STS Group AG sees additional market potential in the USA, Mexico and Brazil. The Company intends to set up a production plant in the US and expand the existing capacities in Mexico and Brazil.

- Increase degree of automation
  To further deploy automation within the manufacturing processes is a continuous process throughout the whole group. The Company estimates a need in the range of 8%.

- Focus on technology trends
  New technology trends like autonomous driving and e-mobility will stimulate the growth of the STS Group in the future. To develop the suitable solutions for these trends the Company estimates that it will need to invest 6%.

The Company expects to use the issue proceeds throughout the coming years. Starting with investments in 2019, the majority of the proceeds are expected to be invested in 2019 and 2020.

6.2 Interests of persons participating in the Offering and the listing of the Shares

In connection with the Offering and the admission of the Company to trading in the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Joint Bookrunners have entered into a contractual relationship with the Company and the Selling Shareholder. Hauck & Aufhäuser and MAINFIRST have been appointed by the Company and the Selling Shareholder as Joint Bookrunners. The Joint Bookrunners are advising the Company and the Selling Shareholder on the Offering and coordinating the structuring and execution of the Offering. In addition, Hauck & Aufhäuser has been appointed to act as the designated sponsor for the Shares. The Joint Bookrunners will receive a commission for their activities upon successful completion of the Offering. The Joint Bookrunners therefore have an interest that as many Offer Shares as possible are placed at the highest price possible.

Furthermore, in connection with the Offering, each of the Joint Bookrunners and any of their respective affiliates, acting as investors for their own account, may acquire Shares in the Offering and in that capacity may retain, purchase or sell for its own account such Shares or related investments and may offer or sell such Shares or other investments otherwise than in connection with the Offering. In addition, certain of the Joint Bookrunners or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which the Joint Bookrunners (or their affiliates) may from time to time acquire, hold or dispose of Shares. None of the Joint Bookrunners intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so or as disclosed in the Prospectus.

Some of the Joint Bookrunners or their affiliates have, and may from time to time in the future continue to have, business relations with the Company or the Selling Shareholder or may perform services for the Company or the Selling Shareholder in the ordinary course of business.

The Selling Shareholder will receive the proceeds from the sale of the Sale Shares and the Greenshoe Shares in the Offering and therefore, the Selling Shareholder has an interest in the successful implementation of the Offering. Assuming a full placement of all Sale Shares and Over-Allotment Shares at the mid-point of the Price Range, and after deducting fees and expenses to be paid by the Selling Shareholder in connection with the Offering, the proceeds to the Selling Shareholder would amount approximately to EUR 35,668,943 of the total net offering proceeds.

Since the Company will receive the net proceeds from the Offering of the New Shares and this will strengthen the equity capital basis of the Company, the Company's current parent company mutares AG, has an interest in the successful implementation of the Offering.

Furthermore, the members of the management board of the Company and the Selling Shareholder have entered into a participation bonus agreement in March 2018 under which the management board's members are entitled to receive partial payments of the positive amount of any net proceeds the Selling Shareholder receives out of its investment in STS Group AG. Therefore, the members of the management board have their own interests in a successful completion of the Offering.

Other than the interests described above, there are no material interests, in particular no material conflicts of interest, with respect to the Offering.

7. Earnings and Dividends per Share: Dividend Policy

7.1 General rules on allocation of profits and dividend payments

Based on their respective interest in the Company's share capital, the Company's shareholders have a right to the Company's distributable profits. If contributions have been made during the course of a financial year, the contributions are proportionally considered according to the time expired since the payment of the contribution (Section 60 paragraph 2 sentence 3 of the German Stock Corporation Act - *AktG*). According to Section 20 paragraph 1 sentence 2 of the Company's Articles of Association the profit distribution of new shares can be determined deviant from Section 60 paragraph 2 clause 3 of the AktG by way of capital increase resolution.

In a German stock corporation, resolutions concerning the distribution of dividends for a given financial year, and the amount and payment date thereof, are adopted by the general shareholders' meeting of the subsequent financial year upon a joint proposal by the Management Board and the Supervisory Board. Dividends may only be distributed from Company's the distributable profit (*Bilanzgewinn*). The distributable profit is calculated based on the Company's stand-alone annual financial statements prepared in accordance with the accounting principles of the German Commercial Code (*Handelsgesetzbuch - HGB*). Accounting regulations under the German Commercial Code (*Handelsgesetzbuch - HGB*) differ from IFRS in material respects.

When determining the amount available for distribution, net income or loss for the year (*Jahresüberschuss/-fehlbetrag*) must be adjusted for profit/loss carry-forwards (*Gewinn-/Verlustvorträge*) from the previous year and release of or allocations to reserves. Certain reserves are required to be set up by law and must be deducted when calculating the profit available for distribution. The Management Board must prepare the financial statements (statement of financial position, profit and loss statement statement and notes to the financial statements) and the management report for the previous financial year by the statutory deadline, and present these to the auditors and then the Supervisory Board after preparation. At the same time, the Management Board and the Supervisory Board must present a proposal for the allocation of the Company's distributable profit pursuant to Section 170 of the AktG. According to Section 171 AktG, the Supervisory Board must review the financial statements, the management report and the proposal for the allocation of the distributable profit, and report to the general shareholders' meeting in writing on the results. The Supervisory Board must submit its report to the Management Board within one month after the documents were received. If the Supervisory Board approves the financial statements after its review, these are deemed adopted unless the Management Board and the Supervisory Board resolve to assign the adoption of the financial statements to the general shareholders' meeting. If the Management Board and the Supervisory Board choose to allow the general shareholders' meeting to adopt the financial statements, or if the Supervisory Board does not approve the financial statements, the Management Board must convene a general shareholders' meeting without delay.

The resolution of the general shareholders' meeting on the allocation of the distributable profit must be passed with a simple majority of votes. If the Management Board and the Supervisory Board adopt the financial statements, they can allocate an amount of up to half of the Company's net income for the year to other surplus reserves. Additions to the legal reserves and loss carry-forwards must be deducted in advance when calculating the amount of net income for the year to be allocated to other surplus reserves. Dividends resolved by the general shareholders' meeting are paid annually shortly after the general shareholders' meeting, as provided in the dividend resolution, in compliance with the rules of the respective clearing system. Dividend payment claims are subject to a three-year standard limitation period. If dividend payment claims expire, then the Company becomes the beneficiary of the dividends. Details concerning any dividends resolved by the general shareholders' meeting and the paying agents named by the Company will be published in each case in the German Federal Gazette (*Bundesanzeiger*).

The Offer Shares have dividend rights as of 1 January 2018. The dividends will be paid out in accordance with the rules of the clearing system of Clearstream. Details of dividend payments and the respective paying agent will be published in the German Federal Gazette (*Bundesanzeiger*) after the general shareholders' meeting. Neither German law nor the Company's Articles of Association provide for a special procedure for the exercise of dividend rights by shareholders not residing in Germany. Shareholders who have their shares held in safekeeping by a custodian bank situated outside Germany must inquire at the respective bank regarding the terms and conditions applicable in their case.

Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid.

7.2 Dividend Policy

According to the annual financial statements of the Company as of and for the financial year ended 31 December 2017 prepared in accordance with the German Commercial Code (*Handelsgesetzbuch; HGB*) (the "**German GAAP Financial Statements 2017**"), the STS Group AG distributed a statement of financial position profit in the amount of EUR 1,710,000.00 in the financial year ended 31 December 2017 to the Selling Shareholder in respect of the financial year ended 31 December 2016. This corresponds to a dividend of EUR 34.20 per eligible share across a total of 50,000 shares. Due to the net loss as recorded in the German GAAP Financial Statements 2017, no distributions were made in respect of the financial year ended 31 December 2017. The Company does not expect to pay dividends for the financial year 2018.

In the mid to long term, however, the Company expects that a certain portion of its distributable profits (i.e. the statement of financial position profit as shown in its annual financial statements in accordance with the *HGB*), will be distributed to its shareholders.

The Company's ability to pay future dividends depends on the amount of distributable retained profits. The Company is not in a position to make any statements on the amount of future retained profits or on whether retained profits will exist at all in the future. Consequently, the Company is unable to guarantee that dividends will be paid in future years. The Company intends to use a major part of its profits, if any, less the proportion to be allocated to the statutory reserve, for financing further growth of its business in the coming financial years and to pay dividends only to the extent that this is consistent with its business and investment planning.

8. Capitalization, Indebtedness, Debt Financing Requirements and Working Capital

The following tables show the Company's consolidated capitalization and the net financial indebtedness as of 28 February 2018. The financial information is taken or derived from the STS Group´s internal accounting records. Investors should read this table in conjunction with "*10. Selected Consolidated Financial and Business Information*" and "*11. Management's Discussion and Analysis of Financial Condition and Results of Operations*".

8.1 Capitalization

In kEUR	As at 28 February 2018 (unaudited)
Total Current Debt[1]	**41,911**
- Guaranteed	-
- Secured[2]	2,057
- Unguaranteed/Unsecured	39,854
Total Non-Current debt (excluding current portion of long-term debt)[3]	**38,055**
- Guaranteed[4]	1,750
- Secured[5]	10,668
- Unguaranteed/Unsecured	25,637
Total debt	**79,966**
Shareholders´ equity	**60,666**
Share capital	50
Legal Reserve[6]	1,615
Other Reserves[7]	59,001

1 Reflects current provisions (provisions for onerous contracts, provisions for severance payments and other provisions) as well as certain current financial liabilities (liabilities to banks, liabilities from factoring, liabilities from finance leases, other financial liabilities and third party loans)

2 Represents the current portion of debt which is secured by a certain portion of intangible assets, property, plant and equipment, other non-current non-financial assets, inventories, trade and other receivables, other current financial assets, other current non-financial assets and cash and cash equivalents.

3 Reflects non current provisions (provisions for pensions and similiar obligations, provisions for jubilee benefits) as well as non-current financial liabilities (liabilities to banks, liabilities from finance leases and third party loans)

4 Represents the non-current portion of debt which is secured by certain independent guarantees

5 Represents the non-current portion of debt which is secured by a certain portion of intangible assets, property, plant and equipment, other non-current non-financial assets, inventories, trade and other receivables, other current financial assets, other current non-financial assets and cash and cash equivalents.

6 Reflects capital reserve

7 Reflects retained earnings and other reserves (both as of 31 December 2017; a separate consolidated statement of profit or loss and a separate consolidated statement of comprehensive income have not been calculated as of 28 February 2018 for the purpose of the capitalization statement). There have been no material changes to other reserves since 31 December 2017.

8.2 Net financial indebtedness

	Net financial indebtedness (in kEUR)	As at 28 February 2018 (unaudited)
A.	Cash[1]	10,317
B.	Cash equivalent	-
C.	Trading securities	-
D	**Liquidity** (A)+(B)+(C)	**10,317**
E	**Current Financial Receivables**[2]	**6,088**
F	Current Bank debt[3]	7,221
G	Current portion of non current debt	-
H	Other current financial debt[4]	32,706
I	**Current Financial Debt** (F)+(G)+(H)	**39,927**
J	**Net Current Financial Indebtedness** (I)-(E)-(D)	**23,522**
K	Non current Bank loans[5]	9,447
L	Bonds Issued	-
M	Other non current loans[6]	7,442
N	**Non current Financial Indebtedness** (K)+(L)+(M)	**16,889**
O	**Net Financial Indebtedness** (J)+(N)	**40,411**

1 Reflects cash in hand and bank balances
2 Reflects receivables from former shareholder, loans to affiliated companies, receivable from factorer and supplier bonuse, each current.
3 Reflects current liabilities to banks
4 Reflects liabilities from factoring, liabilities from finance leases, third party loans and other financial liabilities, each current
5 Reflects non-current liabilities to banks
6 Reflects liabilities from finance leases and third party loans, each non-current.

Other than as set forth below, no additional contingent liabilities, such as letters of financial support or guarantees, etc. exist, which were granted by the Issuer to other companies. Guarantees relating to customers only exist to an insignificant degree.

8.3 Contingent liabilities

If the STS Group were to sell, transfer or otherwise dispose of STS Acoustics S.p.A., prior to July 2034, the STS Group and the Selling Shareholder would be jointly and severally liable to pay a penalty of EUR 1.7 million to Autoneum Holding AG, Switzerland.

Furthermore, the Company could be held liable for a limited-term letter of comfort it provided in favor of a subsidiary to secure compliance by Inoplast Trucks Sa de CV (Mexico) under agreements regarding two light vehicle programs with FCA. The comfort letter has a term until the end of the programs scheduled for 31 December 2019 and 31 July 2022, respectively.

8.4 Financial commitments

The Group has concluded leases for various properties, vehicles and operating and office equipment. These leases have a term of between three and twenty years and do not, as a rule, contain options for extension.

As of the end of the reporting period, the future minimum lease payment obligations due to non-cancellable operating leases were as follows:

kEUR	**As of 31 December 2017 (audited)**
Non-cancellable operating leases	
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows[1]:	
Up to 1 year	4,499
1-5 years	7,427
Total	**11,927**

[1] There have been no material changes in future minimum lease payment obligations due to non-cancellable operating leases since 31 December 2017.

Operating lease contracts exist in particular for buildings, office space, technical equipment and machinery, office equipment as well as vehicles and hardware.

8.5 Statement on working capital

In the Company's opinion the Group's working capital is sufficient for the Group's present requirements, i.e. for a minimum of twelve months following the date of the Prospectus.

8.6 Significant changes in financial or trading position

There have been no significant changes in the Group's financial or trading position between 31 December 2017 and the date of the Prospectus.

9. Dilution

The net book value of the Company equals the reported equity of STS Group AG, determined by deduction of total liabilities from total assets. As at 31 December 2017, this amounts to approximately kEUR 60,666 (divided by 5,000,000 existing shares as at the date of the Prospectus). Therefore, the net book value per share amounts to EUR 12.13.

Assuming that all 1,000,000 New Shares are sold at an Offer Price of EUR 29.00 per New Share (mid-point value of the Price Range) during the Offering, the Company receives net issuing proceeds in the amount of EUR 26,387,918; this takes the total costs of the Offering in the amount of up to approximately EUR 2,612,082 into consideration. The net book value of the Company after the complete implementation of the capital increase in this case amounts to approximately EUR 87,053,918. After the capital increase is implemented in full (i.e. distributed to 6,000,000 existing Shares outstanding), a net book value per Share of EUR 14.51 results.

To the detriment of new investors, which have previously not participated in the Company and which paid for the New Shares an Offer Price of EUR 29.00 per Share (mid-point value of the Price Range) this results in an indirect dilution of approximately EUR 14.49 per Share or approximately 49.97% per Share compared to the Company's net book value after the complete implementation of the capital increase in the amount of EUR 14.51 per Share.

Based on the above assumptions, from the perspective of the Selling Shareholder, the Offering conversely results in a direct increase of the net book value of approximately EUR 2.38 per Share or approximately 19.58% per Share.

The table below illustrates by which amount the low-, mid- and high-point of the Price Range per Share exceeds the adjusted net book value as of 31 December 2017 per Share after completion of the Capital Increase (all data unaudited):

	Low End	**Mid-Point**	**High End**
Offer Price (in EUR)	26.00	29.00	32.00
Net book value per share (divided by 5,000,000 shares) as of 31 December 2017 (in EUR)	12.13	12.13	12.13
Adjusted net book value per share as of 31 December 2017 following the Capital Increase and based on 6,000,000 outstanding Shares of the Company (in EUR)	14.03[1]	14.51[2]	14.99[3]
Amount by which the Offer Price per New Share exceeds the adjusted net book value per share (direct dilution per share for the parties acquiring the New Shares) (in EUR)	11.97	14.49	17.01
Direct dilution per share for the parties acquiring the New Shares (%)	(46.04)	(49.97)	(53.16)
Amount by which the adjusted net book value per share as of 31 December 2017 following the Capital Increase (based on 6,000,000 outstanding Shares of the Company) exceeds the net book value per shares attributable to the Selling Shareholder (i.e. the net book value per share before the implementation of the Capital Increase) (immediate accretion per share) (in EUR)	1.90	2.38	2.86
Immediate accretion per share to the Selling Shareholder (%)	15.62	19.58	23.54

1. Total costs of the Offering and Listing of the Company being EUR 2.492.082 in this case.
2. Total costs of the Offering and Listing of the Company being EUR 2.612.082 in this case.
3. Total costs of the Offering and Listing of the Company being EUR 2.732.082 in this case.

Assuming the placement of the New Shares and the Sale Shares in full and full exercise of the Greenshoe Option, the aggregate shareholdings of the Selling Shareholder, who hold all Shares prior to the Offering, will be immediately diluted by 38.33% (regarding their voting rights).

10. Selected Consolidated Financial and Business Information

The financial information in the following tables is taken or derived from the audited consolidated financial statements of the Company as of and for the financial years ended 31 December 2017 and 31 December 2016 (with comparative financial information as of and for the financial year ended 31 December 2015); the financial information as of and for the financial year ended 31 December 2015 has been extracted from the comparative financial information included in the audited consolidated financial information of the Company as of and for the financial year ended 31 December 2016 whereas the financial information as of and for the financial year ended 31 December 2016 has been extracted from the comparative financial information included in the audited consolidated financial information of the Company as of and for the financial year ended 31 December 2017 prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union ("**IFRS**") (together, the "**Audited Consolidated Financial Statements**") and the Company's internal accounting records and its management reporting system.

Unless otherwise indicated, the term "financial year" refers to a financial year of the Company, i.e., a financial year beginning on 1 January in a given calendar year and ending on 31 December of the same calendar year. The Audited Consolidated Financial Statements were audited by PwC, who issued in each case an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*) as included in the Prospectus.

The history of STS Group, in particular with respect to the financial years ended 31 December 2017 and 31 December 2016, has been characterized by significant growth through external acquisitions. In December 2016, the STS Group acquired the truck business from France-based automotive supplier Novares France (previously Mecaplast France SAS) which marked STS Group's entry into the hard trim business (the **"Bellini Acquisition**"). With the acquisition of the truck parts supplying business of the Plastic Omnium Group in June 2017, which included the share purchase and transfer of five entities (STS Plastics Co., Ltd., Inoplast Trucks S.A. de C.V., STS Composites France SAS, MCR S.A.S. and STS Composites Germany GmbH) (the "**Dolmen Acquisition**"), the STS Group expanded its product portfolio of exterior thermoset components and modules for truck cabins and light vehicles. Although provided for in the Company's segment reporting contained in the financial statements as of and for the financial year ended 31 December 2016, the business activities attributable to the Bellini Acquisition and the Dolmen Acquisition are only reflected in the Plastics segment as reported in the Company's segment reporting contained in the financial statements as of and for the financial year ended 31 December 2017. In addition, in September 2017, the STS Group expanded its business into South America through the acquisition of a plant located in Brazil from the Autoneum group by way of a share deal in respect of the entire share capital of Minas Têxteis – Fabricação de Peças e Partes Automotivas Ltda. (the "**Opus Acquisition**"), which led to the creation of the Materials segment, an additional segment reflected in the Company's segment reporting contained in the financial statements as of and for the financial year ended 31 December 2017.

Where financial information in the following tables is denoted as "audited", this means that it was taken from the Audited Consolidated Financial Statements. The label "unaudited" is used in the following tables to indicate financial information that was not taken from the Audited Consolidated Financial Statements but that was either taken or derived from its internal accounting records or management reporting systems or is based on calculations of these figures or recomputed from the Audited Consolidated Financial Statements.

All of the financial information presented in the following tables is shown in Euro (EUR) or thousand of Euro (EUR thousand or kEUR). Numerical figures contained in the following tables in thousands or millions, as well as percentages relating to numerical figures have been rounded in accordance with standard commercial practice. Therefore, totals or subtotals contained in the following tables may differ minimally from figures provided elsewhere in the Prospectus, which have not been rounded off. Due to rounding differences, individual numbers and percentages may not add up exactly to the totals or sub-totals contained in the following tables or mentioned elsewhere in the Prospectus. In respect of financial data set out in the prospectus, a dash (**"–"**) signifies that the relevant figure is not available, while a zero (**"0"**) signifies that the relevant figure is available but is, or has been rounded to, zero. Financial data presented in parenthesis denotes the negative of such number presented.

The following selected financial information should be read in conjunction with Section "*11. Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Financial Data from the Consolidated Statement of Profit or Loss

The following table shows financial data from the consolidated statement of profit or loss and selected financial data from the segment reporting of the Company for the financial years ended 31 December 2017, 2016 and 2015:

	For the financial year ended 31 December		
	2017[1]	**2016**[1]	**2015**[1]
		(**audited**)	
in kEUR			
Revenues	309,993	136,159	134,527
Thereof: Plastics segment[2]	162,856	0	-
Thereof: Acoustics segment	132,635	136,159	134,527
Thereof: Materials segment[3]	14,502	0	-
Increase or decrease in finished goods and work in progress	2,450	(1,276)	(1,472)
Other operating income	55,735	5,597	1,704
Material expenses	(190,555)	(85,188)	(84,287)
Personnel expenses	(75,619)	(33,304)	(32,646)
Depreciation and amortization expenses	(8,177)	(2,536)	(2,918)
Other operating expenses	(46,967)	(10,610)	(11,265)
Interest and similar income	56	1	72
Interest and similar expenses	(3,072)	(867)	(1,329)
Income before income tax expense	**43,844**	**7,976**	**2,386**
Income tax expense	3,121	(472)	(391)
Income after income tax expense	**46,965**	**7,504**	**1,995**
Thereof attributable to owners of STS Group	46,965	7,504	1,995

[1] In financial years 2017, 2016 and 2015, the accounting policies of the reportable segments were based on the German Commercial Code (*Handelsgesetzbuch – HGB*) (**"German GAAP"**). The figures shown in the following tables in this section show the segment reporting had the STS Group applied the accounting policies based on the IFRS for its reportable segments already in financial years 2017, 2016 and 2015.

[2] The Plastics segment was created through the Bellini Acquisition and the Dolmen Acquisition. Therefore, “no segment revenue – third party-” was recorded in the financial years ended 31 December 2016 and 31 December 2015.

[3] The Materials segment was created through the Opus Acquisition. Therefore, “no segment revenue – third party” was recorded in the financial years ended 31 December 2016 and 31 December 2015.

Selected Financial Data from the Consolidated Statement of Financial Position

The following table shows selected financial data from the consolidated statement of financial position of the Company as of 31 December 2017, 2016 and 2015:

	As of 31 December		
	2017	**2016**	**2015**
		(**audited**)	
in kEUR			
Non-current assets	114,794	35,605	18,529
Current assets	160,159	52,911	45,788
Total assets	**274,953**	**88,516**	**64,317**
Total equity	60,666	16,273	7,276
Non-current liabilities	45,867	29,451	15,925
Current liabilities	168,420	42,792	41,116
Total equity and liabilities	**274,953**	**88,516**	**64,317**

Selected Financial Data from the Consolidated Statement of Cash Flows

The following table shows selected financial data from the consolidated statement of cash flows of the Company for the financial years ended 31 December 2017, 2016 and 2015:

	For the financial year ended 31 December		
	2017	**2016**	**2015**
		(audited)	
in kEUR			
Income after income tax expense	**46,965**	**7,504**	**1,995**
Net cash flows from operating activities	(8,667)	1,278	(184)
Net cash flows from investing activities	(17,230)	(10,305)	(1,146)
Net cash flows from financing activities.........................	39,204	10,383	310
Effect of currency translation on cash and cash equivalents	(80)	0	-
Net increase in cash and cash equivalents...............	**13,228**	**1,356**	**(1,020)**

Selected Other Key Performance Indicators

General Note on Non-IFRS Financial Measures

In this Prospectus certain measures used by the STS Group´s management have been presented in addition to IFRS measures as financial measures to monitor the performance of the STS Group or which management regards as being useful for investors. Non-IFRS financial measures are not recognized measures under IFRS or under German Commercial Code - *Handelsgesetzbuch - HGB* ("**Non-IFRS Measures**") and should, for this reason, not be considered as an alternative to the applicable IFRS or HGB measures. For purposes of this Prospectus, these Non-IFRS Measures include gross profit, gross profit margin, EBIT, EBITDA, EBITDA margin, Adjusted EBITDA and Adjusted EBITDA margin.

With the exception of EBIT and EBITDA, none of these Non-IFRS Measures have been extracted from the Audited Consolidated Financial Statements. The Non-IFRS Measures are alternative performance measures ("**Alternative Performance Measures**") as defined in the guidelines issued by the European Securities and Markets Authority ("**ESMA**") on 5 October 2015 on Alternative Performance Measures (the "**ESMA Guidelines on Alternative Performance Measures**").

These Non-IFRS Measures provide investors with additional information to measure the operating performance of business activities and management is of the opinion that the presentation of these Non-IFRS measures included in this Prospectus complies with the ESMA Guidelines on Alternative Performance Measures. The use of the Non-IFRS Measures may vary from the use of other companies in STS Group´s industry. The measures used should not be considered as an alternative to net income (loss), revenue or any other performance measure derived in accordance with IFRS or the German Commercial Code or to net cash provided by (used in) operating activities as measure of liquidity. The Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or as substitutes for analysis of its results as reported under IFRS or the German Commercial Code. They may exclude or include amounts that are included or excluded, as applicable, in the calculation of the most directly comparable GAAP measures in accordance with IFRS or the German Commercial Code. Their usefulness is therefore subject to limitations, which are described below. In particular, other companies in the STS Group´s industry may define the Non-IFRS Measures used herein differently than management does. In those cases, it may be difficult to compare the performance of those entities to the STS Group´s based on these similarly-named Non-IFRS Measures.

The exclusion of certain items from Non-IFRS Measures does not imply that these items are necessarily non-recurring. From time to time, management may exclude additional items if management believes doing so would result in a more transparent and comparable disclosure.

The Non-IFRS Measures should be considered in conjunction with STS Group's Audited Consolidated Financial Statements and Audited Unconsolidated Financial Statements, respectively, prepared in accordance with IFRS or the German Commercial Code and the respective notes thereto. The following subsection provides information regarding the usefulness of Non-IFRS Measures and, where appropriate, a reconciliation of Non-IFRS Measures to their most directly comparable GAAP measures.

Non-IFRS Financial Measures of STS Group in the periods under review

The following table shows selected Non-IFRS Measures as of and for the financial years ended 31 December 2017, 2016 and 2015.

	As of and for the financial year ended 31 December		
	2017	**2016**	**2015**
in kEUR (unless otherwise stated)	**(audited, unless otherwise stated)**		
Gross profit[1] (unaudited)	177,623	55,292	50,472
Gross profit margin[2] (in %) (unaudited)	57.3	40.6	37.5
EBIT[3, 10]	46,860	8,843	3,643
Thereof: Plastics segment[4]	(240)	(361)	-
Thereof: Acoustics segment	1,254	3,965	3,888
Thereof: Materials segment[5]	356	0	-
Thereof: Corporate/ Consolidation	45,490	5,240	(244)
EBITDA[6, 10]	55,036	11,378	6,561
Thereof: Plastics segment[4]	4,537	(361)	-
Thereof: Acoustics segment	3,984	6,501	6,805
Thereof: Materials segment[5]	994	0	-
Thereof: Corporate/ Consolidation	45,522	5,240	(244)
EBITDA margin (in %)[7] (unaudited)	17.8	8.4	4.9
Adjusted EBITDA[8, 10] (unaudited)	14,167	7,325	6,922
Adjusted EBITDA margin (in %)[9] (unaudited)	4.6	5.4	5.1

[1] Gross profit is defined as revenue plus increases or decreases of finished goods and work in progress as well as other operating income and minus material expenses.

The following table shows the reconciliation of consolidated revenues to consolidated gross profit

	For the financial year ended 31 December		
	2017	**2016**	**2015**
in kEUR	(**audited, except as otherwise noted**)		
Revenues	**309,993**	**136,159**	**134,527**
Increases or decreases of finished goods and work in progress	2,450	(1,276)	(1,472)
Other operating income	55,735	5,597	1,704
Material expenses	(190,555)	(85,188)	(84,287)
Gross profit (unaudited)	**177,623**	**55,292**	**50,472**

[2] Gross profit margin is defined as gross profit (as defined and as reconciled to revenues in footnote 1) divided by revenue for the period stated.

[3] EBIT is a profit metric which is derived from the Company's audited consolidated financial statements and the Company believes to be a useful indicator for the Company's operating and financial performance and allows for year-on-year comparability going forward. It is defined as income before tax expense before interest and similar expenses and interest and similar income (all as reported in the Company's audited financial statements for the periods presented). For a reconciliation of EBIT from income before income tax, please see the table in footnote 10 below.

[4] The Plastics segment was created through the Bellini Acquisition and the Dolmen Acquisition (both as defined herein). Therefore, no EBIT and EBITDA was recorded in the financial year ended 31 December 2015.

[5] The Materials segment was created through the Opus Acquisition (as defined herein). Therefore, no EBIT and EBITDA was recorded in the financial years ended 31 December 2016 and 31 December 2015.

[6] EBITDA is a profit metric, which is derived from the Company's audited consolidated financial statements and the Company believes to be a useful indicator for the Company's operating and financial performance and allows the year-on-year comparability going forward. It is defined as income before tax expense before interest and similar expenses, interest and similar income and depreciation and amortization (all as reported in the Company's audited financial statements for the periods presented). For a reconciliation of EBITDA from income before income tax, please see the table in footnote 10 below.

[7] "EBITDA margin" is defined as EBITDA (as defined in footnote 6 and as reconciled from income before income tax expense in the table in footnote 10 below) divided by revenue for the period stated.

[8] Adjusted EBITDA is a profit metric which the Company believes to be an useful indicator for the Company's operating and financial performance without certain one-time effects and allows for year-on-year comparability going forward. It is defined as EBITDA (as defined above and as reconciled from income before income tax expense in the table in footnote 10 below) and adjusted for the income from bargain purchases as a result of the Bellini Acquisition the Dolmen Acquisition and the Opus Acquisition as well as legal and consulting fees (including consulting fees paid to the Selling Shareholder), severance costs and costs for transition services agreements. For a reconciliation of Adjusted EBITDA from income before income tax expense, please see the table in footnote 10 below.

[9] Adjusted EBITDA margin is defined as Adjusted EBITDA (as defined in footnote 8 and as reconciled from income before tax expense in the table in footnote 10 below) divided by revenue for the period stated.

[10] The following table shows the reconciliation from consolidated income before income tax expense to consolidated EBIT to consolidated EBITDA to consolidated Adjusted EBITDA

	For the financial year ended 31 December		
	2017	**2016**	**2015**
in kEUR	(**audited, except as otherwise noted**)		
Income before income tax expense	**43,844**	**7,976**	**2,386**
Interest and similar expenses	3,072	867	1,329
Interest and similar income	(56)	(1)	(72)
EBIT	**46,860**	**8,842**	**3,643**
Depreciation and amortization expenses	8,177	2,536	2,918
EBITDA	**55,036**	**11,378**	**6,561**
Adjustments (unaudited)	(40,869)	(4,053)	361
Thereof: Income from bargain purchases (unaudited)[1]	(46,957)	(5,250)	-
Thereof: Net effect of tax indemnification issue (unaudited)[2]	(2,831)	-	-
Thereof: Legal and consulting fees (unaudited)[3]	6,718	469	361
Thereof: Severance costs (unaudited)[4]	1,551	728	-
Thereof: TSA costs (unaudited)[5]	650	-	-
Adjusted EBITDA (unaudited)	**14,167**	**7,325**	**6,922**

[1] Includes purchase price adjustments for bargain purchases in connection with the Bellini Acquisition, the Dolmen Acquisition and the Opus Acquisition.

[2] Includes the net effect on EBITDA of a tax indemnification claim against the former shareholder of STS Acoustics S.p.A pursuant to the sale and purchase agreement relating to the acquisition of STS Acoustics S.p.A. In connection with the acquisition of STS Acoustics S.p.A., the STS Group paid income taxes, VAT, tax penalties and interest for prior years for which STS Group was indemnified by the former shareholder of STS Acoustic S.p.A.

[3] Includes fees for legal, business, consulting, accounting and tax advice incurred in connection with the Bellini Acquisition, the Dolmen Acquisition and the Opus Acquisition as well as consulting fees paid to the Selling Shareholder.

[4] Includes severence payments to personnel employeed by the acquired entities and assets.

[5] TSA costs include expenses incurred in connection with transition services agreements, e.g. the ongoing use of IT-systems, as a result of the Bellini Acquisition, the Dolmen Acquisition and the Opus Acquisition.

11. Management's Discussion and Analysis of Financial Condition and Results of Operations

Investors should read the following discussion of the STS Group's financial condition and results of operations in conjunction with the audited consolidated financial statements of the Company as of and for the financial years ended 31 December 2017 and 31 December 2016 (with comparative financial information as of and for the financial year ended 31 December 2015). The financial information as of and for the financial year ended 31 December 2015 has been extracted from the comparative financial information included in the audited consolidated financial information of the Company as of and for the financial year ended 31 December 2016 whereas the financial information as of and for the financial year ended 31 December 2016 has been extracted from the comparative financial information included in the audited consolidated financial information of the Company as of and for the financial year ended 31 December 2017) prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union ("**IFRS**") (together, the "**Audited Consolidated Financial Statements**"), the audited annual financial statements of the Company as of and for the financial year ended 31 December 2017 prepared in accordance with the German Commercial Code (*Handelsgesetzbuch; HGB*) (the "**German GAAP Financial Statements 2017**"), the audited annual financial statements of the Company as of and for the financial year ended 31 December 2015, including a statement of changes in equity and cash flow statement as of and for the financial year ended 31 December 2015, prepared in accordance with the German Commercial Code (*Handelsgesetzbuch; HGB*) (the "**German GAAP Financial Statements 2015**" together with the German GAAP Financial Statements 2017, the "**Audited Unconsolidated Financial Statements**").

The Audited Consolidated Financial Statements and the Audited Unconsolidated Financial Statements (which are included in this Prospectus beginning on page F-1) were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, Germany, who issued in each case an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*) thereon as included in this Prospectus. IFRS and HGB may differ in material respects.

Unless otherwise indicated, the term 'financial year' refers to a financial year of the Company, i.e., a financial year beginning on 1 January in a given calendar year and ending on 31 December of the same calendar year.

Some of the statements contained below include forward-looking statements. These statements involve inherent uncertainties and actual results may differ materially. Investors can find a discussion of these uncertainties in "*4. General Information" – "4.3 Forward-looking statements*". In addition, investing in the Shares involves risks. Investors can find a discussion of these risks in "*3. Risk Factors*".

Where financial information in the following tables is denoted as "audited", this means that it was taken from the audited consolidated financial statements or from the audited unconsolidated financial statements. The label "unaudited" is used in the following tables to indicate financial information that was not taken from the audited consolidated financial statements or the audited unconsolidated financial statements but that was either taken or derived from the STS Group's internal accounting records or management reporting systems or is based on calculations of these figures or recomputed from the audited consolidated financial statements or audited unconsolidated financial statements.

All of the financial information presented in the following tables is shown in Euro ("**EUR**") or thousands of Euros ("**kEUR**"). Numerical figures contained in the following tables in thousands or millions, as well as percentages relating to numerical figures have been rounded in accordance with standard commercial practice. Therefore, totals or subtotals contained in the following tables may differ minimally from figures provided elsewhere in this Prospectus, which has not been rounded off. Due to rounding differences, individual numbers and percentages may not add up exactly to the totals or sub-totals contained in the following tables or mentioned elsewhere in this Prospectus. In respect of financial data set out in the Prospectus, a dash ("–") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but is, or has been rounded to, zero. Financial data presented in parenthesis denotes the negative of such number presented.

11.1 Overview of the STS Group's business

The STS Group believes it is a leading global system supplier for interior and exterior parts focused on commercial vehicles. STS Group develops, manufactures and supplies products and solutions for acoustic and thermal insulation (soft trim) and components made of plastics or composite material (hard trim) for the automobile and trucking industries.

STS Group offers parts and systems for four categories of vehicles: medium and heavy commercial vehicles ("**MHCV**"), light commercial vehicles ("**LCV**"), agriculture and construction vehicles ("**ACV**"), and light vehicles ("**LV**"). Its customer base includes a number of the major automobile and commercial vehicle producers, including many industry leaders. The STS Group has its headquarters in Germany and operates 16 plants in seven countries on three continents, with production facilities and R&D centers in its key regional markets of Europe, China, the NAFTA market and South America which are strategically located in close proximity to its customers. It has four research and development centers located close to its customers, two in France, one in Italy and one in China.

The history of STS Group, in particular with respect to the financial years ended 31 December 2017 and 31 December 2016, has been characterized by rapid growth through external acquisitions. STS Group emerged from the Italian-based commercial and light vehicle acoustics business from the automotive supplier Autoneum Group which was acquired by STS Group's shareholder mutares AG (the "**Selling Shareholder**") in 2013 by way of a carve-out. Following the establishment of the STS brand in 2013, the STS Group started the construction of a new production plant in Poland in 2015 to provide additional production capabilities as well as to maintain close contract with its customers. In December 2016, STS Group acquired the truck business from France-based automotive supplier Novares France (previously Mecaplast France SAS) which marked STS Group's entry into the hard trim business (the "**Bellini Acquisition**"). With the acquisition of the truck parts supplying business of the Plastic Omnium Group in June 2017, which included the share purchase and transfer of five entities (STS Plastics Co., Ltd., Inoplast Trucks S.A. de C.V., STS Composites France S.A.S., MCR S.A.S. and STS Composites Germany GmbH) (the "**Dolmen Acquisition**"), the STS Group expanded its product portfolio of exterior thermoset components and modules for truck cabins and light vehicles. In addition, on 30 September 2017, the STS Group expanded its business into South America through the acquisition of a plant located in Brazil from the Autoneum group by way of a share deal in respect of the entire share capital of Minas Têxteis – Fabricação de Peças e Partes Automotivas Ltda. (the "**Opus Acquisition**"). For a detailed discussion of the effects of the acquisitions within the periods presented, please refer to *"11.4 Key Events in the Periods under Review and Factors Affecting Comparability"* below.

In the financial year ended 31 December 2017, the STS Group generated revenues of kEUR 309,993 and EBITDA of kEUR 55,036. On a pro-forma basis, i.e. assuming that the Dolmen Acquisition and the Opus Acquisition had been consummated as of 1 January 2017, the STS Group generated pro forma revenues of kEUR 425,226 and pro forma EBITDA of kEUR 65,814 in the financial year ended 31 December 2017.

The STS Group directly supplies its products to original equipment manufacturers. It is a Tier 1 supplier for MHCV, LCV and ACV with customers such as Volvo Trucks, Daimler Trucks, IVECO, Scania and FCA. It is a Tier 2 supplier for LV with customers such as Volvo, PSA and Renault.

11.2 Segments

The activities of the STS Group are reported by operating segment on the basis of IFRS 8 (Operating Segments). Segmentation is based on internal management and reporting on the basis of legal units. The STS Group divides its business into three business segments:

- *Plastics segment*: This segment includes all hard trim products. It includes the manufacture of hard trim applications for STS Group customers. Hard trim applications are used for exterior body parts (bumpers, side trim panels) or interior modules (cool boxes and shelf elements). They are light weight, non-corrosive and can be formed into complex designs. In addition, this business segment has its own capacity for painting plastic. This segment has only existed since 2017.

- *Acoustics segment*: This segment includes all soft trim products. It includes the manufacture of soft trim applications for STS Group customers. Soft trim applications have acoustic and thermal features, which reduce noise and protect against heat.

- *Mixed composites recyclables (“**Materials**”) segment*: This segment includes the production of semi-finished goods, namely sheet molding compound (“**SMC**”) mats, bulk molding compound (“**BMC**”) and advanced molding compound (“**AMC**”). The semi-finished goods are used internally for hard trim applications and are supplied externally to third parties. This segment has only existed since 2017.

11.3 Basis for presentation

The tables contained in this section include selected financial information from the Audited Consolidated Financial Statements of STS Group AG in accordance with IFRS for the financial years as of 31 December 2016 and 31 December 2017.

11.3.1 Structure of STS Group

STS Group AG, Hallbergmoos, wholly owns 13 companies in Germany (2), Italy (2), France (5), Poland (1), Mexico (1), China (1) and Brazil (1).

11.3.2 Legal Basis of preparation of the consolidated financial statements (IFRS)

According to Regulation (EC) No. 809/2004 (the so-called “**Prospectus Regulation**”), an issuer must present historical financial information in its prospectus covering the latest three financial years or any shorter period since the Company has been in operation. The STS Group presents consolidated financial statements as of 31 December 2017 and 31 December 2016 with comparative financial information as of and for the financial year ended 31 December 2015.

11.3.3 Consolidation methods

The consolidated financial statements are based on the financial statements of the companies included in the STS Group, which were prepared using uniform accounting policies under IFRS as of 31 December 2016 and 31 December 2017. The capital consolidation was performed using the acquisition method in accordance with IAS 27.22 in conjunction with IFRS 3. The carrying amount for the investments in associates recorded by the Parent Company is replaced by the fair value of the assets and liabilities of the associates included in the consolidation. As a result, the equity of the subsidiaries is compared with the carrying amount of the investment recorded by the Parent Company and at STS Group for all three major business combinations and subsequent consolidations a gain (gain on a bargain purchase according to IFRS 3) is recognized in profit or loss on the acquisition date.

11.4 Key Events in the Period under Review and Factors Affecting Comparability

The STS Group concluded three major acquisitions (the Bellini Acquisition, the Dolmen Acquisition and the Opus Acquisition, as described in more detail below) during the periods under review. In 2015, the business of the STS Group was comprised principally of the Italian acoustics business. In 2016, the STS Group concluded the Bellini Acquisition and the consolidated statement of financial position as at 31 December 2016 reflected the assets and liabilities from the Bellini Acquisition but had no effect on the consolidated profit and loss statement for the year ended 31 December 2016. In 2017, in addition to the full impact of the Bellini Acquisition being reflected in the consolidated financial statements for the year ended 31 December 2017, the STS Group concluded the Dolmen Acquisition on 30 June 2017 and the Opus Acquisition on 30 September 2017 with the impact on the consolidated financial statements for the year ended 31 December 2017 being reported, in case of the Dolmen Acquisition, from 30 June 2017 until 31 December 2017 and, in case of the Opus Acquisition, from 30 September 2017 until 31 December 2017. As a result of the effect of these acquisitions on the STS Group´s consolidated financial statements for the periods under review, the consolidated financial statements for the periods under review are not comparable as would have been the case if the Bellini Acquisition, the Dolmen Acquisition and the Opus Acquisition had been effected as of 1 January 2015 and the effects of these acquisitions had been reported uniformly throughout the financial statements for the year ended 31 December 2017, 31 December 2016 and 31 December 2015.

11.4.1 The Bellini Acquisition

On 15 December 2016, STS Plastics SAS (“**STS Plastics**”), a direct subsidiary of the Company, entered into a business transfer agreement with Mecaplast France SAS (a *société par actions simplifiée*) (“**Mecaplast**”), under which STS Plastics purchased from Mecaplast the business of production and assembly of interior, exterior and engine parts such as shelves, storage spaces, front parts, extensions and fender flares for cars, tractors, light weight and heavy trucks exclusively, operated and located in Zone Industrielle "La Mode" – 01580 Izernore and in Usine de Malpaire – Précigné – 72304 Sable Sur Sarthe Cedex by way of an asset deal (the Bellini Acquisition). The acquired assets comprised a number of *intangible assets*, including the customer relationships, a patent and/or the rights in all data, and *tangible assets, including* those relating to clients and suppliers, all books, records, accounts and files related to the business or the transferred employees, all machines, equipment, hardware etc. and the inventory. The transfer of assets became effective on 23 December 2016.

The total cash consideration paid amounted to kEUR 5,000 and was financed by external bank loans (see "*11.9 Liquidity and capital resources"*) and a cash capital increase on STS Plastics S.A.S. level by the Company. Acquisition costs related to the transaction are expensed in other operating expenses.

As of the acquisition date, the amounts of the identifiable assets acquired were as follows:

in kEUR	**Fair Value**
	(**audited**)
Intangible assets	4,536
Property, plant and equipment	8,722
Non-current assets	**13,258**
Inventory	2,889
Current assets	**2,889**
Deferred tax liabilities	(2,480)
Non-current liabilities	**(2,480)**
Liabilities	(3,417)
Current liabilities	**(3,417)**
Net assets	**10,250**
Bargain purchase gain	**5,250**
Total purchase consideration	**5,000**

The netting of acquisition costs and the remeasured net assets resulted in a bargain purchase gain of kEUR 5,250, which was recognized in the Company's consolidated statement of profit and loss for the financial year ended 31 December 2016. No contingent liabilities were taken on in connection with the acquisition. In the financial year ended 31 December 2016, STS Plastics S.A.S. did not contribute to the Company's revenue, but contributed kEUR 4,988 to income after income tax expense, mainly due to the above mentioned kEUR 5,250 bargain purchase gain.

11.4.2 The Dolmen Acquisition

As of 30 June 2017 the STS Group acquired directly and indirectly via STS Group AG, STS MCR Holding S.A.S. and STS Plastics Holding S.A.S. all shares in STS Composites France S.A.S., Lyon, France, MCR S.A.S., Lyon, France, STS Composites Germany GmbH, Munich, Germany, Inoplast Trucks S.A. de C.V., Ramos Anzipe / federal state of Coahuila, Mexico, and STS Plastics Co, Ltd., Jiangyin / Orovince Jiangsu, China (all five entities together the "**STS entities**") (the "**Dolmen Acquisition**"). The consideration of kEUR 10,630 was paid in cash and was financed internally by the STS Group. The Dolmen Acquisition closed on 30 June 2017.

Acquisition costs related to the transaction are expensed in other operating expenses. Due to a pending dispute between the seller and the STS Group in respect of the final determination of the purchase price, the initial accounting for this acquisition is deemed preliminary. For further information, please refer to the Pro Forma-section under "*23.5 Pro forma consolidated financial information for the financial year 2017 including auditor's report*".

The following table summarizes the result of the purchase price allocation and the calculation of the gain from a bargain purchase, which was recognized in other operating income.

	Fair Value
	(audited)
Intangible assets	19,420
Land and buildings	20,098
Technical equipment and machinery	20,091
Other non-current assets	3,701
Non-current assets	**63,310**
Inventory	12,047
Trade and other receivables	48,871
Other current assets	7,703
Current assets	**68,621**
Other non-current liabilities	(13,911)
Deferred taxes	(2,878)
Non-current liabilities	**(16,789)**
Current liabilities	**(62,547)**
Net assets	**52,595**
Bargain purchase gain	**41,965**
Total purchase consideration	**10,630**

For further information on the effects of the Dolmen Acquisition, please refer to the Pro Forma-section under "*23.5 Pro forma consolidated financial information for the financial year 2017 including auditor's report*"

11.4.3 The Opus Acquisition

As of 30 September 2017, the STS Group acquired the entire share capital in Minas Têxteis – Fabricação de Peças e Partes Automotivas Ltda. (“**STS Brasil**”), a limited liability company duly organized under and existing under the Laws of Brazil, which produces soft trim products for commercial vehicles (the “**Opus Acquisition**”). The transaction was consummated via STS Brazil Holding GmbH, a wholly-owned subsidiary of the Company.

The purchase price for the share capital of STS Brasil was kEUR 2,684 (corresponding to BRL10,000,000.00). The acquisition was structured as a share deal with five annual payments of kEUR 537 (correspoding to BRL2,000,000.00) in addition to interest of 10% p.a. As agreed with the seller the consideration shall be paid in five payments to occur on a yearly basis on the anniversary of the closing on 30 September from 2018 to 2022. On an undiscounted basis the amounts due are: kEUR 537 (2018), kEUR 537 (2019), kEUR 592 (2020), kEUR 622 (2021) and kEUR 653 (2022) respectively. Acquisition costs related to the transaction are expensed in other operating expenses.

The following table summarizes the result of the purchase price allocation and the calculation of the gain from a bargain purchase, which was recognized in other operating income.

in kEUR	Fair Value
	(audited)
Land and buildings	3,485
Technical equipment and machinery	3,932
Other non-current assets	172
Non-current assets	**7,589**
Inventory	250
Trade and other receivables	793
Other current assets	924
Current assets	**1,967**
Deferred tax liabilities	(1,003)
Non-current liabilities	**(1,003)**
Current liabilities	**(877)**
Net assets	**7,676**
Bargain purchase gain	**4,992**
Total purchase consideration	**2,684**

For further information on the effects of the Opus Acquisition, please refer to "*23.5 Pro forma consolidated financial information for the financial year 2017 including auditor's report***"**.

11.5 Key factors affecting performance and results of operations

The STS Group´s financial performance and results of operations during the periods under review in this Prospectus were primarily affected and may continue to be affected by the following factors.

11.5.1 Importance of major OEM customers

The number of OEMs in the commercial vehicle industry is limited to STS Group's core markets in Europe. Therefore, it is essential to have a constant, viable customer relationship to OEMs, especially in Europe. A significant portion of STS Group´s sales come from a small number of key customers in the automobile and trucking market, namely, Renault Trucks/Volvo Trucks, FCA, Daimler Truck, Plastic Omnium and Mecaplast (now Novares). The STS Group estimates that between 65% and 70% of the consolidated revenue expected to be generated in the current financial year will be attributable to such top five customers. These strong customer relationships have contributed significantly to the growth of its business during the periods under review and the STS Group believes that these strong relationships with these customers will continue to positive affect its revenue growth in the future-.

For example, the non-renewal of a contract with Scania in France in 2018, may adversely affect its business unless it can be offset by new business from existing or new customers, even though the STS Group estimates the contract will account for less than 5% of forecasted renvenue for 2018. Any change in its relationship with such key OEMs, the strength of the businesses of the OEMs or their demand for STS Group´s products in the future could materially affect the financial performance and results of operation of the STS Group. The STS Group has entered into long term contracts with these key OEM customers. However, these contracts include clauses which allow either party to terminate the relationship under specific circumstances. There is no guarantee that these relationships will continue or will be extended. Their terms may be amended or they may be terminated entirely. The STS Group´s relationships with these major customers and their level of business with STS Group has had and will have a significant impact on the STS Group´s financial performance and results of operations.

11.5.2 Product quality and delivery performance

The product range of STS Group includes products for the interior and exterior of the commercial vehicles. The STS Group´s customers especially place a strong emphasis on the quality of exterior parts. The customer also expects on time delivery of the ordered quantity and quality of the particular product. The STS Group has implemented processes to fulfill such expectations. The ability of STS Group to meet the high customer expectation regarding quality and deliver performance has affected and will affect STS Group´s performance and results of operations.

11.5.3 General economic climate

As a global automotive system supplier, the STS Group is affected by changes in general global economic conditions which may adversely affect the industries and markets in which its products are sold and in the markets in which the STS Group expects to sell its products in the future. The economic climate impacts levels of global investment and infrastructure spending which can impact its business and that of its customers and can also impact its access to capital for investments. These factors have affected and will continue to affect the Company´s performance and results of operations.

11.5.4 Customer pricing and business efficiency

The sales prices of the STS Group´s products are fixed with its customers for a period between four and twelve years based on agreed long-term agreements (”**LTAs**“). These LTAs include ex-ante agreed-upon year on year fixed price deductions. The very competitive and difficult economic conditions in the automotive market and the expectation of increased efficiency in stable production environments do not permit much room for improvement of such terms and conditions. The STS Group attempts to offset these conditions through the entry into mergers and acquisitions, joint ventures, the use of low cost sourcing and constant improvements at its production sites to increase the efficiency of its business. To improve its cost efficiency, the Company made several capital expenditures during the periods of review, mainly for automation and process improvements. The failure by the STS Group to improve its production efficiency could adversely impact its financial performance and results of operations as it is faced through demands for lower costs from its customers with increasing margin pressure.

11.5.5 Personnel expenses

Personnel expenses account for a significant portion of the STS Group´s costs and include salaries and wages as well as pension and other social contributions. For the periods under review, personnel expenses totaled kEUR 75,619, kEUR 33,304 and kEUR 32,646 for the year ended 31 December 2017, 31 December 2016 and 31 December 2015, respectively. The significant increase in personnel expenses and related obligations from financial year 2016 to financial year 2017 reflected the additional costs of personnel and related obligations acquired in connection with the Bellini Acquisition, the Dolmen Acquisition and the Opus Acquisition as the STS Group assumed the salaries and pension and other social obligations of many of the employees associated with the companies acquired pursuant to these acquisitons. As the STS Group grows its business, especially in China, these personnel costs and the corresponding pension and social obligations connected therewith are expected to increase as the STS Group expands its business operations and the corresponding need to hire additional personnel. Personnel costs have affected and will continue to have an effect on the STS Group´s financial performance and results of operations as it expands its global operations in the future.

11.5.6 Foreign currency exchange rates

As a result of the impact of movements in foreign exchange rates between the STS Group´s reporting currency, the Euro, and the Polish Zloty, the Mexican Peso and the Chinese Yuan, the STS Group has recorded significant net foreign exchange gains and losses in the periods under review, which has resulted in increases in its revenues and expenses, respectively. The STS Group recorded net foreign exchange losses of kEUR 29 for the year ended 31 December 2017 and net foreign exchange gains of kEUR 15 for the year ended 31 December 2016.To the extent that the STS Group continues to have outstanding obligations in currencies other than the Euro in the future, its revenues and expenses will continue to be impacted by these foreign exchange movements.

11.5.7 Order backlog position and outlook

The STS Group´s order backlog is an important indicator of demand and therefore impacts its business significantly, including its revenues. As of 31 January 2018, the STS Group´s order backlog amounts to an estimated EUR 1.9 billion for the years 2018 to 2022. The STS Group estimates that it will generate revenues from its current order backlog in respect of the forecasted revenues for each of the financial years 2018 to 2022 as follows: 99% in 2018, 94% in 2019, 84% in 2020, 77% in 2021 and 72% in 2022 with the remaining percentages of its forecasted revenue in each respective year being generated through new business with existing or new customers.

Its order backlog is based on the LTA agreements with its OEM customers under which the STS Group can estimate its expected order backlog based on the duration of the agreement, the life time of the particular model of vehicle for which it supplies automobile and trucking parts, and the number of facelifts a particular model will undergo during the duration of its agreements. In this evaluation of its order backlog, the STS Group has not made any deductions due to the fact that the Group´s products will be used in certain jurisdictions, such as China, which may be difficult to access depending on the actual locations of the facilities in which its products are used. Furthermore, the evaluation of its order backlog does not take into account that purchases of its products are subject to changes in the overall economic environment and the automobile and trucking industries, or that any unforeseen circumstances could develop during the course of the LTAs with its customers and there can be no guarantee that orders for its products will not be delayed, cancelled or changed during the duration of such LTAs..

11.5.8 Post-merger integration

The STS Group has pursued selected acquisition opportunities in the past and will pursue them in the future. As a result of the Bellini Acquisition, the Dolmen Acquisition and the Opus Acquisition, the STS Group has incurred and will incur significant one-off expenses in an amount of single digit million Euro including post-merger integration costs until the end of 2018. These include, *inter alia*, expenses for IT carve-outs, grouping of head functions and the roll out of group policies and best practices across the required entities. For a description of the acquisitions including the financial impact please refer to "*11.4 Key Events in the Period under Review and Factors Affecting Comparability*".

11.6 Description of principal line items of the statement of profit or loss

The consolidated statement of profit or loss prepared in accordance with IFRS is presented using the nature of expense method. Certain individual line items in the consolidated statement of profit or loss are described below:

Revenue

Revenue consists of the proceeds from sales of products and services less any sales reductions. Sales may result from the delivery of parts or from the delivery of tools developed as commissioned by customers and customized to the needs of customers. Revenue is reported by business segment as well as total revenue.

Increase or decrease in inventory of finished goods and work in progress

In the context of the total cost accounting, changes in the finished and unfinished goods in the statement of financial position are reflected in the profit and loss statement via increase or decrease of inventories.

Other operating income

Other operating income consists primarily of gains resulting from bargain purchases subject to purchase accounting measures. In a bargain purchase business combination, a corporate entity is acquired by another for an amount that is less than the fair market value of its net assets. Accounting rules for business combinations according to IFRS 3 require the acquirer to record the difference between fair value of the acquired net assets and the purchase price as a gain on its income statement due to negative goodwill. Also, other income from operations is included.

Material expenses

Cost of materials includes the cost of raw materials and supplies and expenses for products and services produced and delivered.

Personnel expenses

Personnel expenses consist of wages and salaries as well as social contributions and pension payments.

Depreciation of property, plant and equipment and amortization of intangible assets

Depreciation is recorded on a straight line basis. The useful life for depreciation purposes ranges from 20 to 60 years for buildings, one to 20 years for technical equipment and machinery and one to 13 years for other equipment, operating and office equipment. Intangible assets that have limited useful lives are amortized on a straight line basis over their useful economic lifetimes. Amortization begins as soon as the asset is available for use.

Other operating expenses

Other operating expenses primarily includes third party development costs, building rental expenses and premises costs, as well as freight and packaging costs.

Interest and similar income and expense

Interest and similar income includes interest on cash at banks and other deposits**.** Interest and similar expenses includes interest expenses on bank loans and loans from related parties.

Income tax expense

Income tax expense represents the sum of the taxes currently payable and deferred taxes, in each case, including both domestic and foreign taxes. The tax payable is based on the taxable profit for the year.

11.7 Results of operations

11.7.1 Consolidated statement of profit or loss

The following table provides financial information from the Audited Consolidated Financial Statements for select profit or loss items.

	As of 31 December		
kEUR	**2017**	**2016**	**2015**
Revenues	309,993	136,159	134,527
Increase or decrease of finished goods and work in progress	2,450	(1,276)	(1,472)
Other operating income	55,735	5,597	1,704
Material expenses	(190,555)	(85,188)	(84,287)
Personnel expenses	(75,619)	(33,304)	(32,646)
Depreciation and amortization expenses	(8,177)	(2,536)	(2,918)
Other operating expenses	(46,967)	(10,610)	(11,265)
Interest and similar income	56	1	72
Interest and similar expenses	(3,072)	(867)	(1,329)
Income before income tax expense	**43,844**	**7,976**	**2,386**
Income tax expense	3,121	(472)	(391)
Income after income tax expense	**46,965**	**7,504**	**1,995**
Thereof attributable to owners of STS Group AG	46,965	7,504	1,995

11.7.2 Comparison of the results of the financial years 2017 and 2016

Revenues

Revenues for financial year 2017 amounted to kEUR 309,993, which was an increase of kEUR 173,834 compared to the financial year 2016. The increase in revenue was mainly due to acquisitions in 2017. One large acquisition was completed as of 30 June 2017 (Dolmen) and revenue from the entities involved contributed to group revenue for the second half of the financial year 2017. In addition, one entity was acquired as of 30 September 2017 and such revenue in the fourth quarter of 2017 relating to this entity increased total sales for the financial year 2017 (Opus). In addition, an acquisition which was closed as of 23 December 2016 contributed its full revenue in financial year 2017 (Bellini).

Revenue by segment

The following table provides revenue by segment for the periods indicated.

	As of 31 December	
kEUR	**2017[1]**	**2016[1]**
	(audited)	
Plastics	162,856	0
Acoustics	132,635	136,159
Materials	14,502	0
Revenues	**309,993**	**136,159**

[1] In financial years 2017 and 2016, the accounting policies of the reportable segments were based on the German Commercial Code (*Handelsgesetzbuch – HGB*) (**"German GAAP"**). The figures shown in the following tables in this section show the segment reporting had the STS Group applied the accounting policies based on the IFRS for its reportable segments already in financial years 2017 and 2016.

Revenue in the plastics segment amounted to kEUR 162,856 in the financial year 2017, which was an increase of kEUR 162,856 compared to the financial year 2016. This increase was primarily caused by the two major acquisitions Bellini and Dolmen, the integration of which significantly expanded the plastics segment's revenue base as of January 2017 and July 2017, respectively.

Revenue in the acoustics segment amounted to kEUR 132,635 in the financial year, which was a decrease of EUR 3,524 compared to the financial year 2016. This decrease was primarily caused by lower sales volumes with existing customers and less revenue from the tooling business in Italy.

Revenue in the Materials segment amounted to kEUR 14,502, which was an increase of kEUR 14,502 compared to the financial year 2016. This increase was primarily caused by the Dolmen Acquisition with effect on the profit and loss statement beginning on 1 July 2017.

Other operating income

Other operating income amounted to kEUR 55,735 in 2017, which was an increase of kEUR 50,138 as compared to 2016. The increase was mainly due to the recognition of gains from bargain purchases related to the Dolmen Acquisition and the Opus Acquisition in 2017. If the consideration transferred for the acquisition of a business is less than the net assets received through the acquisition, a gain from a bargain purchase is technically derived that requires immediate recognition in profit or loss at the acquisition date.

Material expenses

Material expenses in 2017 amounted to kEUR 190,555 in the financial year 2017, which was an increase of kEUR 105,367 compared to the financial year 2016. This increase was mainly attributable to acquisitions of two businesses. In addition, the Bellini Acquisition closed as of 23 December 2016 contributed full material expenses in 2017. The material cost in percentage terms of revenue changed from 2016 to 2017 due to a different product mix.

Personnel expenses

Expenses for personnel amounted to kEUR 75,619 in financial year 2017, which was an increase of kEUR 42,315 as compared to financial year 2016. This increase also relates to the acquisition of two businesses in the financial year 2017 (Dolmen and Opus) and the full incorporation of one of the acquisitions which closed by the end of 2016 (Bellini).

Depreciation and amortization expenses

In the financial year 2017, depreciation and amortization expenses totaled kEUR 8,177, which was an increase of kEUR 5,641 as compared to the financial year 2016. This increase resulted mainly from the acquisitions in 2017 and the acquisition closed by the end of the financial year 2016.

Other operating expenses

For financial year 2017 other operating expenses totaled kEUR 46,967, which was an increase of kEUR 36,357 compared to financial year 2016, primarily as a result of the acquisition of two businesses in the financial year 2017 (Dolmen and Opus) and the full incorporation of one of the acquisitions (Bellini) which closed by the end of 2016.

Interest and similiar expenses

In financial year 2017, interest and similiar expenses totaled kEUR 3,072, which was an increase of kEUR 2,205 as compared to financial year 2016. This increase is caused by the usage of additional factoring (in France) and by additional loans from banks, including a bank loan for the acquisition of Bellini.

Income tax expense

In financial year 2017, STS Group's discloses an income from income tax expenses totaled kEUR 3,121 comprising a decrease of income tax expenses as compared to previous year 2016 of kEUR 3,592.

Income after income tax expense

As a result of the factors described above and mainly due to the recognition of gains from bargain purchases related to two acquisitions in 2017, the income after income tax expense totaled kEUR 46,965 compared to kEUR 7,504 in 2016, which is an increase of kEUR 39,461.

11.7.3 Comparison of financial years 2016 and 2015

Revenues

Revenues for financial year 2016 amounted to kEUR 136,159, which represented an increase of kEUR 1,632 as compared to financial year 2015. The slight increase resulted from the continuation of regular business operations in Italy (STS Acoustics S.p.A.) without the development of any extraordinary circumstances or increases in revenue through acquisitions.

Revenue by segment

The following table provides revenue by segment for the periods indicated.

	As of 31 December	
kEUR	**2016[1]**	**2015[1]**
	(audited)	
Plastics	0	-
Acoustics	136,159	134,527
Materials	0	-
Revenues	**136,159**	**134,527**

[1] In financial years 2016 and 2015, the accounting policies of the reportable segments were based on the German Commercial Code (*Handelsgesetzbuch – HGB*) (**"German GAAP"**). The figures shown in the following tables in this section show the segment reporting had the STS Group applied the accounting policies based on the IFRS for its reportable segments already in financial years 2016 and 2015.

Other operating income

In financial year 2016, other operating income amounted to kEUR 5,597, which was an increase of kEUR 3,893 compared to the financial year 2015. The increase mainly relates to the gain from a bargain purchase subject to the Bellini acquisition realized in 2016.

Material expenses

Material expenses totaled kEUR 85,188 in financial year 2016, which was an increase of kEUR 901 compared to financial year 2015, primarily as a result of an increase in purchased services offset slightly by a decrease in material costs in STS Acoustics S.p.A.

Personnel expenses

In financial year 2016, personnel expenses amounted to kEUR 33,304, which represented an increase of kEUR 658 compared to financial year 2015. In addition, in financial year 2016 provisions for severance payments were booked at year end 2016 for planned lay-offs in 2017.

Depreciation and amortization expenses

For financial year 2016, depreciation and amortization expenses amounted to kEUR 2,536, which was a decrease of kEUR 382,– compared to the previous year 2015.

Other operating expenses

Other operating expenses amounted to kEUR 10,610 in financial year 2016, which was a decrease of kEUR 655 compared to the financial year 2015.

Interest and similar expenses

Interest and similiar expenses amounted to kEUR 867 in financial year 2016, which was a decrease of kEUR 462 compared to the financial year 2015. This reduction was caused by a decrease of financing costs (interest rate, fees) for factoring and less use of factoring.

Income tax expense

Income tax expense amounted to kEUR 472 in financial year 2016 compared to kEUR 391 in financial year 2015.

Income after income tax expense

As a result of the factors above, income after income tax expense increased from kEUR 1,995 by kEUR 5,509 or 276% to kEUR 7,504.

11.8. Discussion of statements of financial position

The following table presents financial information from the statements of financial position as at the dates indicated.

kEUR	As of 31 December 2017	2016	2015
	(audited)		
ASSETS			
Intangible assets	24,567	4,856	207
Property, plant and equipment	79,049	29,103	16,852
Other financial assets	267	142	150
Income tax receivables	1,579	296	296
Other non-financial assets	768	453	414
Deferred tax assets	8,564	755	610
Non-current assets	**114,794**	**35,605**	**18,529**
Inventories	28,124	13,204	11,412
Trade and other receivables	99,335	34,354	31,236
Other financial assets	13,051	1,865	724
Other non-financial assets	3,813	880	1,164
Cash and cash equivalents	15,836	2,608	1,252
Current assets	**160,159**	**52,911**	**45,788**
Total assets	**274,953**	**88,516**	**64,317**
EQUITY AND LIABILITIES			
Share capital	50	50	50
Capital reserve	1,615	1,594	15
Retained earnings	59,802	14,547	7,043
Other reserves	(801)	82	168
Equity attributable to owners of STS Group AG	60,666	16,273	7,276
Total equity	**60,666**	**16,273**	**7,276**
Trade payables	642	517	392
Other financial liabilities	17,127	15,382	7,246
Provisions	21,116	10,962	8,287
Deferred tax liabilities	6,982	2,590	0
Non-current liabilities	**45,867**	**29,451**	**15,925**
Trade payables	65,464	28,183	23,862
Other financial liabilities	63,995	5,023	7,503
Provisions	3,397	246	307
Income tax liabilities	1,673	0	-
Other non-financial liabilities	33,891	9,340	9,444
Current liabilities	**168,420**	**42,792**	**41,116**
Total equity and liabilities	**274,953**	**88,516**	**64,317**

11.8.1 Comparison of financial position as at 31 December 2017 to 31 December 2016

Intangible assets

Intangible assets mainly comprise customer relationships, technologies or software. Intangible assets as at 31 December 2017 amounted to kEUR 24,567, which represented an increase of kEUR 19,711 compared to as at 31 December 2016. This increase was mainly due to the acquisitions in 2017 (Dolmen and Opus) and acquired customer relationships and technologies resulting from those acquisitions.

Property, plant and equipment

Property, plant and equipment contains land, building, fixtures and equipment that mainly make up the individual manufacturing plants of the STS Group. Property, plant and equipment at 31 December 2017 totaled kEUR 79,049, which was an increase of kEUR 49,946 compared to as at 31 December 2016, mainly due to the Dolmen Acquisition and the Opus Acquisition and investments in STS Acoustics Poland Sp. z~~.~~ o.o. and STS Plastics SAS.

Other non-current assets

Other non-current assets include income tax receivables, other non-financial assets and deferred tax assets. Income tax receivables as at 31 December 2017 increased by kEUR 1,283 to kEUR 1,579 and other non-financial assets amounted to kEUR 768, which was an increase of kEUR 315 compared to as at 31 December 2017, primarily as a result of the Dolmen Acquisition and the Opus Acquisition.

Deferred tax assets at 31 December 2017 totaled kEUR 8,564, which was an increase of kEUR 7,809 compared to as at 31 December 2016, mainly due to positive tax effects from the two acquisitions (Dolmen and Opus) and increased deferred tax assets in STS Acoustics S.p.A.

Inventories

Inventory comprises raw materials, consumables and supplies, work in progress for customers and finished goods and goods for resale as well as prepayment for inventories. Inventories as at 31 December 2017 amounted to kEUR 28,124, which was an increase of kEUR 14,920 compared to as at 31 December 2016, primarily as a result of the consolidation of the Dolmen Acquisition and the Opus Acquisition and increased inventories in STS Acoustics Poland Sp. z o.o. and STS Plastics SAS

Trade and other receivables

Trade receivables consist of receivables due from third party customers for goods and services provided. Trade and other receivables as at 31 December 2017 amounted to kEUR 99,335, which was an increase of kEUR 64,981 compared to as at 31 December 2016, mainly due to the consolidation of the Dolmen Acquisition and the Opus Acquisition and an increase in STS Acoustics Poland Sp. z o.o.

Current other financial and other non-financial assets

Current other financial assets as at 31 December 2017 amounted to kEUR 13,051, which resulted in an increase of kEUR 11,186 compared to as at 31 December 2016, primarily as a result of a short~~-~~-term loan to the Selling Shareholder and an increase in STS Acoustics S.p.A.. Other non-financial assets as at 31 December 2017 totaled kEUR 3,813, an increase of kEUR 2,933.

Cash and cash equivalents

Cash and cash equivalents as at 31 December 2017, totaled kEUR 15,836, an increase of kEUR 13,228 compared to as at 31 December 2016, mainly due to the consolidation of the Dolmen Acquisition and the Opus Acquisition and the respective acquired cash and cash equivalents as well as increased amounts of cash and cash equivalents at banks.

Equity

Total equity as at 31 December 2017 amounted to kEUR 60,666, which was an increase of kEUR 44,393 compared to as at 31 December 2016.

Non-current liabilities

Overall non-current liabilities as at 31 December 2017 amounted to kEUR 45,867, which was an increase of kEUR 16,416 compared to as at 31 December 2016. While other financial liabilities increased kEUR 1,745 to an amount of kEUR 17,127 as at 31 December 2017, provisions totaled kEUR 21,116 as at 31 December 2017, an increase of kEUR 10,154 compared to as at 31 December 2016. Deferred tax liabilities as at 31 December 2017, totaled kEUR 6,982, which was an increase of kEUR 4,392 compared to as at 31 December 2016. The main driver of these increases was the Dolmen Acquisition and the Opus Acquisition.

Current liabilities

Current liabilities as at 31 December 2017 amounted to kEUR 168,420, which was an increase of kEUR 125,628 compared to as at 31 December 2016. Trade payables totaled kEUR 65,464 as at 31 December 2017, which was an increase of kEUR 37,281 compared to as at 31 December 2016. Other financial liabilities comprised kEUR 63,995 as at 31 December 2017, which was an increase of kEUR 58,972 compared to as at 31 December 2016. Provisions and other non-financial liabilities totaled kEUR 3,397 and kEUR 33,891 as at 31 December 2017. Both increased as compared to as at 31 December 2016 by kEUR 3,151 for provisions and kEUR 24,551 for other non-financial liabilities. All these increases were mainly caused by the Dolmen Acquisition and the Opus Acquisition. Income tax liabilities totaled kEUR 1,673 as at 31 December 2017, which was an increase of kEUR 1,673 compared to as at 31 December 2016.

11.8.2 Comparison of financial position as at 31 December 2016 to 31 December 2015

Intangible assets

Intangible assets as at 31 December 2016 amounted to kEUR 4,856, which was an increase of kEUR 4,649 as at 31 December 2015. The increase was mainly due to the acquisitions in 2016 (Bellini) and the newly acquired customer relationships and technologies resulting from such acquisition.

Property, plant and equipment

Property, plant and equipment as at 31 December 2016 totaled kEUR 29,103, which represented an increase of kEUR 12,251 compared to as at 31 December 2015, mainly due to the acquisition (Bellini) in 2016 and investments by STS Acoustics S.p.A.

Other non-current assets

Income tax receivables as at 31 December 2016 remained unchanged at kEUR 296 and other non-financial assets amounted to kEUR 453, which was an increase of kEUR 39 compared to as at 31 December 2015, mainly due to value-added-tax receivables increased.

Deferred tax assets as at 31 December 2016, totaled kEUR 755, which was an increase of kEUR 145 compared to as at 31 December 2015, primarily as a result of the consolidation of the Bellini Acquisition.

Inventories

Inventories as at 31 December 2016 amounted to kEUR 13,204, which was an increase of kEUR 1,792 compared to as at 31 December 2015. While on the one hand unfinished goods decreased at STS Acoustics S.p.A., the Bellini acquisition in 2016 led to a significant increase in inventories mainly due to its consolidation.

Trade and other receivables

Trade and other receivables as at 31 December 2016 amounted to kEUR 34,354, which was an increase of kEUR 3,118 compared to as at 31 December 2015, mainly due to the consolidation of the Bellini Acquisition.

Current other financial and other non-financial assets

Current other financial assets as at 31 December 2016 amounted to kEUR 1,865, which was an increase of kEUR 1,141 compared to as at 31 December 2015, mainly due to the consolidation of the Bellini Acquisition. While other non-financial assets totaled kEUR 880 as at 31 December 2016, there was a decrease of kEUR 284 compared to as at 31 December 2015.

Cash and cash equivalents

Cash and cash equivalents as at 31 December 2016, totaled kEUR 2,608, which was an increase of kEUR 1,356 compared to as at 31 December 2015, mainly due to an increase of cash and cash equivalents at STS Acoustics S.p.A. and due to the Bellini Acquisition.

Equity

Total equity as at 31 December 2016 amounted to kEUR 16,273, which was an increase of kEUR 8,997 compared to as at 31 December 2015.

Non-current liabilities

Overall non-current liabilities as at 31 December 2016 were kEUR 29,451, which was an increase of kEUR 13,526 compared to as at 31 December 2015. While other financial liabilities as at 31 December 2016 were kEUR 15,382, an increase of kEUR 8,136 compared to as at 31 December 2015, provisions totaled kEUR 10,962 as at 31 December 2016, which was an increase of kEUR 2,675 compared to as at 31 December 2015. Deferred tax liabilities as at 31 December 2016, totaled kEUR 2,590, which was an increase of kEUR 2,590 compared to as at 31 December 2015. The main drivers of this increase were the acquisition in 2016 (Bellini) and an increase of bank liabilites in STS Acoustics S.p.A.

Current liabilities

Current liabilities as at 31 December 2016 amounted to kEUR 42,792, which was an increase of kEUR 1,676 compared to as at 31 December 2015. Trade payables as at 31 December 2016 totaled kEUR 28,183, which was an increase of kEUR 4,321 compared to as at 31 December 2015. Other financial liabilities comprised kEUR 5,023 as at 31 December 2016, which was a decrease of kEUR 2,480 compared to as at 31 December 2015. Provisions and other non-financial liabilities as at 31 December 2016 totaled kEUR 246 and kEUR 9,340, respectively. Provisions as at 31 December 2016 decreased kEUR 61 compared to as at 31 December 2015 and other non-financial liabilities as at 31 December 2016 decreased by kEUR 104 compared to as at 31 December 2015. The increase of trade payables was mainly driven by STS Acoustics S.p.A., while liabilities from factoring decreased. The other differences were mainly caused by the Bellini acquisition in 2016.

11.9 Liquidity and capital resources

The STS Group finances its capital expenditures and working capital requirements through a combination of cash generated from operating activities, short- and long term loans from its sole shareholder, third-party financing and factoring and leasing arrangements.

The breakdown of the STS Group´s major bank and loan liabilities as of 31 December 2017 is as follows:

STS Acoustics SPA:

Bank/Third Party	Purpose of Loan	Initial Amount in EUR	Amount outstanding as of 31 Dec. 2017 in EUR	Interest rate in %	Maturity Date
Mediocredito	Loan for the acquisition of the Pignataro site	3,800,000	3,387,675	EUR 6M+2.60%	15.12.2027
INTESA	Capital expenditures in Poland	4,000,000	3,299,951	EUR 3M+2.20%	30.06.2021
INTESA	Finance dividend to STS Group AG	2,000,000	2,000,000	EUR 3M+2.00%	29.03.2019
Autoneum Holding	Share purchase	18,000,000	2,178,316	1.00% p.a.	30.06.2023

AG	agreement as of July 2013

STS Plastics SAS:

Bank	Purpose of Loan	Initial Amount in EUR	Amount outstanding as of 31 Dec. 2017 in EUR	Interest rate in %	Maturity Date
BNP Paribas CIC Lyonnaise de Banque Societe Generale	Purchase of plants	4,500,000	3,600,000	EUR 6M EURIBOR +2.00%	31.12.2021

STS Plastics Co. Ltd. China:

Bank	Purpose of Loan	Initial Amount in RMB	Amount outstanding as of 31 Dec. 2017 in EUR	Interest rate in %	Maturity Date
BNP Paribas (China) Limited	Working capital	35,000,000	4,469,952	115%PBOC Base Rate	BNP Paribas may terminate the facility at any time without giving any reason

STS Real Estate Srl:

Bank/Third Party	Purpose of Loan	Initial Amount in EUR	Amount outstanding as of 31 Dec. 2017 in EUR	Interest rate in %	Maturity Date
Autoneum Holding AG	General corporate purposes	3,400,000	2,844,444	4.40 p.a.	03.01.2034

STS Brazil Holding GmbH:

Bank/Third Party	Purpose of Loan	Initial Amount in EUR	Amount outstanding as of 31 Dec. 2017 in EUR	Interest rate in %	Maturity Date
Autoneum Holding AG	Seller loan	2,684,852	2,718,689	5.00% p.a.	30.09.2022

Factoring Agreements

In addition, the STS Group has also entered into a number of factoring agreements with Coface Finanz GmbH, CM-CIC Factor SA, Mediocredito Italiano S.p.A., Banca IFIS S.p.A. and Sanpaolo pursuant to which the STS Group transferred its trade receivables under the factoring agreement subject to certain criteria being met at the nominal value less a certain discount for the assignee (factoring fee) and interest. Upon request of the assignor, the assignee may take over the credit risk relating to the transferred trade receivables. For some agreements the related trade receivables have not been derecognised from the statement of financial position, because the STS Group retains substantially all of the risks and rewards – primarily credit risk. The amounts received have been recognised as a liability. The STS Group also sold trade receivables to third parties based on factoring agreements where no material risks remain with the STS Group. The receivables were therefore derecognized.

11.9.1 Consolidated statements of cash flows

The following table sets forth cash flow data for the periods indicated.

	As of 31 December		
kEUR	**2017**	**2016**	**2015**
Cash flows from operating activities			
Income after income tax expense	**46,965**	**7,504**	**1,995**
Changes in			
Inventories	(2,623)	1,097	1,721
Trade receivables	(15,603)	(3,118)	(1,873)
Other receivables	(10,449)	(1,899)	(7)
Trade payables	11,195	3,428	(977)
Other liabilities	3,457	(6,324)	(4,774)
Provisions	(1,685)	2,614	(768)
Adjustments for			
Bargain purchase gain from business combination	(46,957)	(5,250)	0
Loss on disposal of property, plant and equipment	146	(7)	0
Depreciation of property, plant and equipment	6,105	2,425	2,851
Amortization of intangible assets	2,072	111	67
Other non-cash income and expenses	260	(82)	168
Currency translation	(531)	0	-
Income taxes paid	(913)	(559)	(235)
Income tax income/expense	(3,121)	472	391
Net interest expense	3,016	866	1,257
Net cash flows from operating activities	**(8,667)**	**1,278**	**(184)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	186	27	0
Proceeds from sale of intangible assets	387	0	-
Disbursements for acquisition of a business, net of cash acquired	(5,767)	(4,134)	0
Disbursements for investments in property, plant and equipment	(9,593)	(5,974)	(1,015)
Disbursements for investments in intangible assets	(2,443)	(224)	(131)
Net cash flows from investing activities	**(17,230)**	**(10,305)**	**(1,146)**
Cash flows from financing activities			
Proceeds from issue of share capital	-	0	15
Proceeds from share premium reserves	0	1,575	0
Dividends paid	(1,710)	0	-
Proceeds from borrowings	8,565	12,160	2,220
Repayments of borrowings	(2,853)	(2,626)	(718)
Proceeds from factoring	36,437		-
Interest paid	(1,256)	(727)	(1,279)
Interest received	22	1	72
Net cash flows from financing activities	**39,204**	**10,383**	**310**
Effect of currency translation on cash and cash equivalents	**(80)**	**0**	**-**
Net increase/decrease in cash and cash equivalents	**13,228**	**1,356**	**(1,020)**
Cash and cash equivalents at the beginning of the period	**2,608**	**1,252**	**2,272**
Cash and cash equivalents at the end of the period	**15,836**	**2,608**	**1,252**

11.9.2 Comparison cash flow in financial years 2017 and 2016

Net cash flows from operating activities

Net cash flows from operating activities were negative for the year ended 31 December 2017 and amounted to a cash outflow of kEUR 8,667, while cash inflows amounting to kEUR 1,278 were recorded for the year ended 31 December 2016. As a result of the acquisitions and relating purchase accounting gains from bargain purchases, the elimination of non-cash items amounting to kEUR 46,957 was required for the year ended 31 December 2017.-An increase in trade payables amounting to kEUR 11,195 and an increase in other liabilities amounting to kEUR 3,457 were in part compensated by a decrease in trade receivables (kEUR 15,603) and a decrease in other receivables (kEUR 10,449) for the year ended 31 December 2017. Provisions decreased by kEUR 1,685 for the year ended 31 December 2017. Non-cash items such as depreciation of property, plant and equipment as well as amortization of intangible assets increased operating cash flows by kEUR 6,105 and kEUR 2,072, respectively, for the year ended 31 December 2017.

Net cash flows from investing activities

Investing activities led to net cash outflows of kEUR 17,230 for the year ended 31 December 2017, while cash outflows for the year ended 31 December 2016 totaled kEUR 10,305. The main effect resulted from acquisitions and corresponding consideration transferred and paid-out as purchase price for the year ended 31 December 2017 amounting to kEUR 5,767. Regarding investments in property, plant and equipment the STS Group incurred disbursements totaling kEUR 9,593 for the year ended 31 December 2017. Cash outflows for investments in intangible assets amounted to kEUR 2,443 for the year ended 31 December 2017.

Net cash flows from financing activities

Net cash inflows from financing activities amounting to kEUR 39,204 primarily resulted from proceeds from factoring totaling kEUR 36,437 for the year ended 31 December 2017, while net cash inflows from financing activities amounted to kEUR 10,383 for the year ended 31 December 2016. Dividends paid and interest paid amounting to kEUR 1,710 and, kEUR 1,256 respectively, as well as repayments of borrowings of kEUR 2,853 led to cash outflows whereas proceeds from borrowings amounting to kEUR 8,565 led to cash inflows for the year ended 31 December 2017.

Cash and cash equivalents

The net increase in cash and cash equivalents taking into consideration the effects of currency conversion on cash and cash equivalents amounted to kEUR 13,228 for the year ended 31 December 2017, while the net increase in cash and cash equivalents taking into consideration the effects of currency conversion on cash and cash equivalents amounted to kEUR 1,356 for the year ended 31 December 2016. Cash and cash equivalents at the beginning of the period amounted to kEUR 2,608 and totaled kEUR 15,836 for the year ended 31 December 2017.

11.9.3 Comparison cash flow in financial years 2016 and 2015

Net cash flows from operations activities

Net cash flows from operations activities were positive for the year ended 31 December 2016 and amounted to a cash inflow of kEUR 1,278, while cash outflows amounting to kEUR 184 were recorded for the year ended 31 December 2015. As a result of the acquisitions and relating purchase accounting gains from bargain purchases the elimination of non-cash items amounting to kEUR 5,250 was recorded for the year ended 31 December 2016. A decrease in other liabilities leading to a net cash outflow of kEUR 6,324 was compensated by an increase in trade payables amounting to kEUR 3,428 and by the build-up of provisions amounting to kEUR 2,614 for the year ended 31 December 2016. Trade receivables and the other receivables increased, requiring net cash outflows amounting to kEUR 3,118 and kEUR 1,899, respectively, for the year ended 31 December 2016. Non-cash items such as depreciation of property, plant and equipment as well as amortization of intangible assets increased operating cash flows by kEUR 2,425 and kEUR 111, respectively, for the year ended 31 December 2016.

Net cash flows from investing activities

Investing activities lead to net cash outflows of kEUR 10,305 for the year ended 31 December 2016. The main effect resulted from acquisitions and corresponding pay-outs in 2016 amounting to kEUR 4,134. Regarding investments in property, plant and equipment, the Group incurred disbursements totaling kEUR 5,974. Cash outflows for investments in intangible assets amounted to kEUR 224.

Net cash flows from financing activities

Net cash inflows from financing activities amounting to kEUR 10,383 resulted from net proceeds from borrowings totaling kEUR 12,160 and repayment of borrowings amounting to kEUR 2,626 for the year ended 31 December 2016, while net cash inflows from financing activities amounted to kEUR 310 for the year ended 31 December 2015. Interest paid amounting to kEUR 727 led to cash outflows for the year ended 31 December 2016.

Cash and cash equivalents

The net increase in cash and cash equivalents taking into consideration the effects of currency conversion on cash and cash equivalents amounted to kEUR 1,356 for the year ended 31 December 2016, while the net decrease in cash and cash equivalents amounted to kEUR 1,020 for the year ended 31 December 2015. Cash and cash equivalents at the beginning of the period amounted to kEUR 1,252 and totaled kEUR 2,608 for the year ended 31 December 2016.

11.10 Off-Balance Sheet Arrangements, Contingencies and Other Financial Obligations

The Group has concluded leases for various properties, vehicles and operating and office equipment. These leases have a term of between three and twenty years and do not, as a rule, contain options for extension.

As of the end of the reporting period, the future minimum lease payment obligations due to non-cancellable operating leases were as follows:

kEUR	**As of 31 December 2017**	**As of 31 December 2016**	**As of 31 December 2015**
Non-cancellable operating leases			
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
Up to 1 year	4,499	839	468
1-5 years..	7,427	4,996	2,502
Total	**11,927**	**5,835**	**2,970**

Expenses from operating leases of kEUR 4,353 (2016: kEUR 973; 2015: kEUR 1,818) were recognized in 2017.

Operating lease contracts exist in particular for buildings, office space, technical equipment and machinery, office equipment as well as vehicles and hardware.

In addition, if the STS Group were to sell, transfer or otherwise dispose of STS Acoustics S.p.A., prior to July 2034, the STS Group and the Selling Shareholder would be jointly and severally liable to pay a penalty of EUR 1.7 million to the seller Autoneum Holding AG, Switzerland.

Furthermore, the Company could be held liable for a limited-term letter of comfort it provided in favor of Inoplast Trucks SA de CV (Mexico) to secure compliance under agreements regarding two programs with FCA. The comfort letter has a term until the end of the programs scheduled for 31 December 2019 and 31 July 2022, respectively.

11.11 Critical Accounting Methods

Critical estimates and judgements

In the process of applying the accounting policies, STS Group management made judgments that significantly influence the amounts recognized in the consolidated financial statements. Accordingly, the preparation of the consolidated financial statements requires to a certain degree assumptions and estimates that affect the amount and disclosure of the assets and liabilities, income and expenses, and contingent liabilities recognized for the period under review. They relate primarily to the assessment of the recoverability of assets, the STS Group's uniform definition of economic useful lives for property, plant and equipment and the recognition and measurements provisions.

The assumptions and estimates are premised on the knowledge currently available. In particular, the expected future business performance was based on the circumstances at the time the consolidated financial statements were prepared and the future development of the environment deemed to be realistic. If these framework conditions develop differently than assumed and outside of the management's sphere of influence, the ensuing amounts can differ from the original estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, due to which there is a significant risk that an adjustment to the carrying amounts of assets and liabilities, will be necessary in upcoming reporting periods, are described below.

Estimates in purchase price allocation

Business combinations generally involve estimates relating to the calculation of the fair value of the acquired assets and liabilities. Land, buildings, technical equipment and machinery are usually valued by an independent expert, while marketable securities are carried at their market value. Appraisals of the market values of property, plant and equipment are subject to an element of uncertainty due to the use of necessary assumptions. If there are intangible assets, the fair value is determined using suitable measurement methods, which are generally based on a forecast of all future cash flows. Depending on the type of asset and the availability of information, various measurement techniques are used that can be categorized as based on cost, market price or capital value. The method based on capital value is important because of its particular significance in the measurement of intangible assets. For example, brands and licenses are measured using the relief-from-royalty method, which among other things estimates the cost savings that result from the Company holding the brands and licenses itself and not having to pay fees to the licensor. After discounting, the resulting saving gives the carrying amount for the intangible asset. Calculating the values of intangible assets particularly requires estimates of their economic useful lives, which are subject to an element of uncertainty due to the use of assumptions. The calculation of fair values of contingent liabilities likewise requires assumptions about their probable occurrence. These assumptions are by nature also subject to an element of uncertainty.

Definition of the useful lives of property, plant and equipment and of software and licenses

The Company bases its estimates of the useful lives of assets on past experience. However, accelerated technological progress means that, for example, faster depreciation and amortization may be necessary.

Classification as operating or finance lease

Lease classification depends primarily on estimates of the economic useful life of the leased asset, its fair value at the date of classification and assumptions or estimates of the discount rate to be used.

Valuation allowances on receivables

The management bases its estimates regarding the size of valuation allowances on the principle of individual measurement. In part, estimates of the requirement for specific valuation allowances are subjective estimates regarding the customers' credit quality. They are therefore subject to an inherent assessment uncertainty.

Recognition of deferred tax assets and deductible temporary differences

Deferred tax assets are recognized for tax loss carryforwards and deductible temporary differences, provided that the realization of the related tax benefit by future taxable profits based on the management's profit forecasts for the group companies is considered probable.

Provisions

Provisions differ from other liabilities in terms of uncertainties regarding the timing or amount of expenditures required in the future. A provision must be recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation (see IAS 37.14).

There are considerable recognition and measurement uncertainties due to differing economic and legal assessments and the difficulties of determining the probability of occurrence.

The measurement of pension provisions requires actuarial assumptions. These assumptions depend on individual estimates by the management.

11.12 Quantitative and Qualitative Disclosure about Market and other Financial Risks

11.12.1 Foreign currency risks

Fluctuations in foreign currency exchanges rates can have a significant impact on the performance and results of operation of STS Group. The majority of sales are denominated in Euro, however a material portion of sales are denominated in Chinese RMB, Mexican Peso and Brazilian Real. Fluctuations in foreign currency rates could result in either a gain or a loss and can have an impact, positive or negative, on STS Group´s performance and results of operations.

11.12.2 Interest rate risks

On the financing side, there are minor interest rate risks as the non-current other loan liabilities have floating interest rates. Interest rate swaps with matching terms and conditions have been arranged to hedge against this. However, hedge accounting is not applied.

11.12.3 Liquidity risks

Prudent liquidity management includes holding a sufficient reserve of cash and cash equivalents and tradable securities as well as the option for financing via an adequate amount of committed credit lines. Due to the dynamics of the business environment in which the STS Group operates, the STS Group´s Finance department aims to maintain the necessary financing flexibility with sufficient unutilized credit lines as well as factoring.

The management of STS Group monitors the liquidity of the operating companies and STS Group as a whole with rolling cash flow projections.

11.12.4 Credit risks

There are credit risks with regard in particular to trade receivables and other receivables including deposits. They are controlled by limiting and constantly monitoring the individual receivables. There are no specific credit risks with regard to customers. Risks from deterioration in customers’ solvency and credit rating are already actively countered as part of acquisition management at the time of customer acquisition. There have been no major defaults in the past.

Free liquidity is usually deposited in current accounts and term deposits at commercial banks. The default risk of the recognized assets equals their carrying amount.

11.13 Discussion of German GAAP Financial Statements for the Fiscal Year 2017 of STS Group AG, Hallbergmoos

		1.1. - 31.12.2017	1.1. - 31.12.2016
		EUR	**EUR**
1.	Revenues	3,285,566.10	0.00
2.	Other operating income	17,061.07	641.49
3.	Personnel expenses		
	a) Wages and salaries	(1,245,260.73)	0.00
	b) Social security, post-employment and other employee benefit costs	(74,582.25)	0.00
	(of which relate to pension costs)	*(7,431.00)*	*0.00*
4.	Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	(31,646.89)	0.00
5.	Other operating expenses	(2,273,956.91)	(62,219.58)
6.	Income from long-term equity investments	0.00	1,806,235.00
	(of which from affiliated companies)	*0.00*	*1,806,235.00*
7.	Other interest and similar income	173,017.06	0.00
	(of which from affiliated companies)	*173,017.06*	*0.00*
8.	Interest and similar expenses	(370,945.15)	(2,770.15)
	(of which relate to affiliated companies)	*(370,945.15)*	*(2,770.15)*
9.	Taxes on income	(16,849.00)	0.00
10.	**Profit after taxes on income**	**(537,596.70)**	**1,741,886.76**
11.	Other taxes	(242.00)	0.00
12.	**Net loss/net income for the year**	**(537,838.70)**	**1,741,886.76**
13.	Retained profits/accumulated losses brought forward	14,648.83	(12,237.93)
14.	Appropriation to legal reserve	0.00	(5,000.00)
15.	**Accumulated losses/retained profits carried forward**	**(523,189.87)**	**1,724,648.83**

In 2017 STS Group AG started providing management and finance services to its subsidiaries and as a result recognizes revenues in the amount of kEUR 3,286. Personnel expenses for employees hired in 2017 amount to kEUR 1,320.

In 2017 other operating expenses (kEUR 2,273) result from legal and consulting costs for two main acquisitions (Dolmen Acquisition and Opus Acquisition).

In 2017 interest income (kEUR 173) and interest expenses (kEUR 371) for purposes of financing the transactions and the new subsidiaries end up in a negative saldo.

In 2017 the Company realises a net loss of kEUR 538 in the financial year 2017 as compared to a net income of kEUR 1,742 in the prior year, while STS Group AG received a dividend payout.

Assets

		31.12.2017 EUR	31.12.2016 EUR
A.	**Fixed assets**		
I.	Intangible assets		
	Concessions, industrial and similar rights and assets and licenses in such rights and assets	275,031.71	0.00
II.	Tangible assets		
	Other equipment, factory and office equipment	172,806.00	0.00
III.	Financial assets		
1.	Shares in affiliated companies	5,651,320.89	1,675,001.00
2.	Loans to affiliated companies	7,622,980.16	0.00
		13,722,138.76	**1,675,001.00**
B.	**Current assets**		
I.	Receivable and other assets		
1.	Receivables from affiliated companies	7,058,775.59	1,806,235.00
	(of which are owing from shareholders)	*5,000,000.00*	*0.00*
2.	Other assets	152,699.87	28.34
		7,211,475.46	1,806,263.34
II.	Cash and cash equivalents	990,695.35	2,220.55
		8,202,170.81	**1,808,483.89**
C.	**Prepaid expenses**	53,995.72	0.00
		21,978,305.29	**3,483,484.89**

In 2017 STS Group AG made investments mainly in software (kEUR 275) and office equipment (kEUR 172) for its employess.

Two main acquisitions (the Dolmen Acquisition and the Opus Acquisition) led to new subsidiaries in France, Mexico, China and Brazil.

The company financed acquisitions via two holding companies in France that serve as vehicles for acquisitions. Receivables from affiliated companies result mainly from a deposit in China (kEUR 5,000).

Equity and liabilities

		31.12.2017	31.12.2016
		EUR	**EUR**
A.	**Equity**		
I.	Subscribed capital	50,000.00	50,000.00
II.	Capital reserve	1,590,000.00	1,590,000.00
III.	Revenue reserve		
	Legal reserve	5,000.00	5,000.00
IV.	Accumulated losses/retained profits carried forward	(523,189.87)	1,724,648.83
		1,121,810.13	**3,369,648.83**
B.	**Provisions**		
I.	Provisions for taxation	16,849.00	0.00
II.	Other provisions	580,400.00	1,002.85
		597,249.00	**1,002.85**
C.	**Liabilities**		
I.	Trade payables	1,062,567.97	55,880.94
II.	Liabilities to affiliated companies	19,028,769.07	56,952.27
	(of which are owing to shareholders)	*0.00*	*56,952.27*
III.	Other liabilities	167,909.12	0.00
	(of which relate to taxes)	*44,872.46*	*0.00*
	(of which relate to social security)	*788.53*	*0.00*
		20,259,246.16	**112,833.21**
		21,978,305.29	**3,483,484.89**

In 2017 other provisions (kEUR 580) result from incentives for employess.

Liabilities to affiliate companies finance the acquisitions of STS Group AG in 2017. Other liabilites derive from business of the holding company

12. Market and Competitive Landscape

Generally, the market information and competitive landscape presented in this section are taken or derived from the cited sources. Industry publications, news articles, surveys and studies conducted by third party sources are based on market research, which itself is based on sampling and subjective judgments by both the researchers and respondents, including judgments about what types of products and competitors should be included in the relevant market. In addition, certain statements below are based on the Company´s own proprietary information, insights, subjective opinions or unsubstantiated estimates, some of which were, in turn, derived from various sources the Company believes to be reliable, including industry publications, news articles and from surveys or studies conducted by third party sources; these statements contain words such as "the Company estimates," "expect," "it believes" or "in its view," and as such do not purport to cite to or summarize any third-party or independent source and should not be so read. Some market data are inherently forward-looking and subject to uncertainty and does not necessarily reflect actual market conditions. In light of the absence of publicly available information on a significant proportion of participants in the industry, many of whom are small and/or privately owned operators, the data on market sizes and projected growth rates should be viewed with caution. Please also read in conjunction with the section below the sections entitled "3. Risk Factors" and, "13 Business" and "4.3 Forward-looking statements".

12.1 Important markets

The global automotive market has seen a continuation of global growth in 2017 and will continue to grow in the coming years. The average production growth rate in the light vehicle sector was 3.4% CAGRglobally from 2012 to 2017e (i.e., the growth rate for 2017 has been estimated). Strong growth was recorded in particular in the European (CAGR 4.3%) and Chinese markets (CAGR 10.2%). The current market situation also reflects these growth rates. In Europe, output growth increased by 2% from 2016 to 2017e, while China grew by 1% over the same period, with the Chinese share of production in the automotive industry being the highest globally (source: Lazard and Roland Berger, Global Automotive Supplier Study 2018).

The Company divides the global automotive market into three types of vehicle categories: Medium and Heavy Commercial Vehicles ("**MHCV**"), Light Commercial Vehicles ("**LCV**") and Light Vehicles ("**LVs**"). As the agriculture and construction vehicle market (“**ACV**“) market constitutes by nature a minor portion of the business, the Company does not view it as a separate market for purposes of the global automotive industry.

As part of its business, the STS Group manufactures and sells exterior and interior plastics, as well as interior and engine acoustics parts for MHCV, LCVs and to a lesser extent, for LVs and ACVs.

12.2 Global growth trends

Based on market data from an international automotive research company, STS Group expects that the global commercial and LV market relevant for the STS Group will increase from 2017 to 2022 by 2.1% (CAGR). The STS Group will benefit from growth of 1.2% in MHCVs (source: Company estimates based on publicly available market data). Light commercial vehicles are expected to grow at a slower pace from 2017 to 2022. (source: Business Wire, Inc., Light Commercial Vehicle Market in Europe 2017-2021: Driven by Growth in the Construction Industry – Research and Markets, October 2017).

Global

Vehicle Category	2017	2022	CAGR
MHCV	2,719,086	2,885,452	1.2%
LCV	15,221,307	16,130,087	1.2%
LV	80,072,274	89,780,614	2.3%
Total	**98,012,667**	**108,796,153**	**2.1%**

(source: Company estimates based on publicly available market data)

12.3 Regional Trends

Europe

The European market is expected to have an overall CAGR of 1.2% between 2017 and 2022 in heavy commercial vehicles, light commercial vehicles and light vehicles. An average growth of 1.5% is expected for France and an average growth of up to 0.1% for Germany (a positive growth of 1.6% for heavy commercial vehicles). Negative growth of 3.1% overall is forecast for Italy, with the expected negative growth coming only in the Light Vehicles- segment (with a positive growth of 3.7% for Heavy Commercial Vehicles). In particular in the area of Heavy Commercial Vehicles, which is of particular importance to the STS Group, growth will continue to be recorded in all relevant European nations. To benefit from this trend, the STS Group intends to expand in supply of products in the trucking business with DAF, among others.

Europe

Vehicle Category	**2017**	**2022**	**CAGR**
MHCV	585,914	723,783	4.3%
LCV	2,966,866	3,021,682	0.4%
LV	19,363,857	20,556,999	1.2%
Total	**22,916,637**	**24,302,464**	**1.2%**

(source: Company estimates based on publicly available market data)

China

The Chinese market will continue to expand and present suppliers in the automotive industry with significant opportunities in the future. As a result, the Company believes that its own sales will increase in China as trade expands in China.

The negative growth of 3.7% in the MHCV sector in China is mainly attributable to the extraordinarily high production and demand peak in 2017 driven by regulatory changes in China (source: BAIRD, Global Auto & Truck Markets, p. 3, 7.).

China

Vehicle Category	**2017**	**2022**	**CAGR**
MHCV	1,024,627	847,765	-3.7%
LCV	4,105,659	4,591,737	2.3%
LV	23,818,884	27,596,689	3.0%
Total	**28,949,170**	**33,036,191**	**2.7%**

(source: Company estimates based on publicly available market data)

NAFTA and South America

Despite recent growth problems resulting from disputes in the NAFTA market, a growth forecast of up to 0.7% is expected for the period 2017 to 2022. The North American market will continue to be the third largest market after China and Europe during this period (source: Lazard and Roland Berger, Global Automotive Supplier Study 2018, p. 7.), while the growth of heavy commercial vehicles outpaces the average market growth by far with a CAGR of 3.7%. In terms of currently existing platforms, the STS Group believes that even stronger growth will occur in the South American region with an overall CAGR of 7.3% and especially in the heavy commercial vehicles by 9.8% in the period between 2017 and 2022.

North America

Vehicle category	2017	2022	CAGR
MHCV	378,916	455,265	3.7%
LCV	3,950,157	3,690,622	-1.4%
LV	13,186,455	14,018,168	1.2%
Total	**17,515,528**	**18,164,055**	**0.7%**

(source: Company estimates based on publicly available market data)

South America

Vehicle category	2017	2022	CAGR
MHCV	64,596	102,960	9.8%
LCV	658,721	900,743	6.5%
LV	2,635,368	3,782,952	7.5%
Total	**3,358,685**	**4,786,655**	**7.3%**

(source: Company estimates based on publicly available market data)

12.4 Automotive Mega Trends

The demand in the STS Group's key end markets is increasingly affected by a number of trends, in particular the trend to decrease emissions and an increasing focus on e-mobility, largely driven by the emission targets set in different regions of the world (source: Lazard and Roland Berger, Global Automotive Supplier Study 2018, p. 27-31). The STS Group addresses these trends as its materials offer lightweight products which reduce the overall weight of the vehicles and result in lower emissions combined with lower product costs for structural parts as compared to metal products. Additional key trends include the shortening of the model life cycles of commercial and private vehicles, which in turn leads to an increase in small and medium batch size orders from potential customers. Furthermore, the STS Group expects that the trend towards autonomous driving will necessitate an adjustment of the product offering in order to meet specific characteristics of electronic and electric devices.

As a global supplier with a global footprint, the STS Group benefits from different market status and growth perspectives around the globe, especially in its main markets of Europe, China and the Americas. Currently, global markets are growing. As the STS Group is present in all major geographical markets, it benefits from regional diversification as a decline in one region can be offset by growth in another region.

12.5. Competitive Landscape

The STS Group divides its competitors into two categories, generalists and specialists. Generalists are competitors providing a full range of hard-trim and soft-trim globally to the automotive and truck industry. Specialists are competitors in only either soft- or hard-trim products. In general, the specialists are smaller than the generalists and might not be active globally.

The STS Group competes with a number of other manufacturers that produce and sell similar parts to OEMs, including Faurecia (France), IAC (Netherlands) and IMR INDUSTRIES (Italy). In its STS Acoustics segment, the Company manufactures soft trim products focused on reducing noise vibration. Competitors in this business include Autoneum (Switzerland), Adler Pelzer Group (Italy), BORGERS (Germany) and Trèves (France). In its STS Plastics segment, the Company exclusively produces thermoplastic and thermoset components for LVs, LCVs, MHCVs and ACVs. Its key competitors are primarily the POLYTEC GROUP (Austria) and FRITZMEIER (Germany).

The STS Group faces competition both from specialists such as POLYTEC GROUP (Austria) and BORGERS (Germany) and from major international equipment manufacturers, which are not exclusively specialized in the STS Group’s field of business and whose other lines of business may enable them to target an accessible customer base that is broader than STS Group’s customer base. The STS Group offers a combination of different technologies. Its main focus is on the production of exterior and interior parts for commercial vehicles for which STS Group provides solutions ranging from soft trim acoustic- and thermal insulation materials through STS Acoustics to hard trim thermoset and thermoplast through STS Plastics. Its ability to offer small to medium batch sizes sets STS group apart from other global generalists.

12.5.1 Competitive environment

The STS Group divides its competitive market into soft trim and hard trim products. The products are mainly interior trim, underfloor, engine compartment, hard trim exterior parts as hoods, fenders and other products and can be potentially extended to other applications such as battery cases. The STS Group mainly conducts business in its STS Acoustics segment (soft trim) and STS Plastics segment (hard trim).

12.5.2 Generalists

STS is a global generalist, offering soft trim through its STS Acoustics segment and hard-trim through its STS Plastics segment. As a Tier 1 supplier, the Company acts for the LCV, HCV, LV and ACV markets. The STS Group covers interior, exterior and engine/drivetrain applications. Most STS manufacturing facilities are located in the Europe, while a few of them are located in Mexico, Brazil and China.

Faurecia (France), IAC (Netherlands) and IMR INDUSTRIES (Italy) are the main key competitors to the STS in the generalist category. In addition, MAGNA (Canada), PLASTIC OMNIUM (France), TOYODA GOSEI (Japan) and Grupo Antolin (Spain) operate in the generalist category.

The STS Group´s products are used for interior, exterior and engine/drivetrain applications. Of all of its key competitors, only Faurecia covers all of these same applications. IAC is only represented in the interior sector and IMR INDUSTRIES only in the exterior and engine/drivetrain areas. The STS Group is the only global generalist also focusing on the smaller commercial vehicle market.

12.5.3 Soft Trim Specialists

STS Acoustics is primarily active in the field of noise, vibration and harshness (“**NVH”**) which focusses on the reduction of noise pollution and vibrations, and mainly manufactures soft trim products.

In addition to STS Acoustics, other companies competing in the NVH business include 10 competitors: Autoneum (Switzerland), Adler Pelzer Group (Germany), BORGERS (Germany), Trèves (France), carcoustics (Germany), elringklinger (Germany), RÖCHLING (Germany), WOCO (Germany), IDEAL AUTOMOTIVE (Germany), Janesville ACOUSTICS (USA). The STS Group believes that BORGER, Adler Pelzer Group and Autoneum are key competitors because they have similar technology and production capabilities.

With regard to the end markets of STS Acoustics' products, only STS Acoustics fully covers all areas (LVs, LCVs, MHCVs, and ACV) as compared to its competitors. BORGERS, Adler Pelzer Group and Autoneum focus mainly on the end markets LVs. In addition, in terms of application, STS Acoustics is the one company competing in all relevant areas (interior, exterior, and engine/drivetrain). As a result, STS Acoustics, unlike most of the other key competitors in the soft trim business, can address all the relevant end markets and offers a wide range of applications for its products.

12.5.4 Hard Trim Specialists

The STS Plastics segment includes the based trim business. STS Plastics exclusively produces thermoplastic and thermoset components for LVs, LCVs, MHCV, AC. In addition to STS Plastics, other hard trim specialists are POLYTEC GROUP (Austria), FRITZMEIER (Germany), NOVARES (France), Continental Structural Plastics (USA), REYDEL automotive (France) and SMP (Germany).

Its key competitors are primarily the POLYTEC GROUP, FRITZMEIER, and NOVARES. In addition to STS Plastics, the POLYTEC GROUP serves all relevant end markets. NOVARES is mainly active in LVs and LCVs. STS Plastics also completely covers interior, exterior and engine/drivetrainapplications. FRITZMEIER does not focus on products for the engine/drivetrain unlike STS Plastics.

The STS Group believes that STS Plastics is the only player in the market able to provide both technologies thermoset and thermoplastic technologies and is thereby able to serve all markets for such products or even combine both technologies for comprehensive system solutions.

13. Business

13.1 Business overview

The STS Group believes it is leading global system supplier for interior and exterior parts focused on commercial vehicles. The STS Group has its headquarters in Germany and operates 16 plants in seven countries on three continents, with production facilities in its key regional markets of Europe, China, the NAFTA market and South America which are strategically located in close proximity to its customers. Its four research and development centers are located close to its customers, with two in France, one in Italy and one in China. The STS Group develops, manufactures, and supplies solutions for acoustic and thermal insulation (soft trim) and components made of plastics or composite material (hard trim) for the automobile and trucking industries. The STS Group offers parts and systems for four categories of vehicles: medium and heavy commercial vehicles ("**MHCV**"), light commercial vehicles ("**LCV**"), agriculture and construction vehicles ("**ACV**"), and light vehicles ("**LV**"). Its customer base includes a number of the major automobile and commercial vehicle producers, including many industry leaders.

The STS Group is a Tier 1 supplier for MHCVs, LVs, LCVs and ACVs that directly supplies its products to Original Equipment Manufacturers ("**OEMs**") such as Volvo Trucks, Daimler Trucks, IVECO, Scania and FCA. Additionally, STS Group is a Tier 2 supplier to OEMs such as Volvo, PSA and Renault for LVs.

The STS Group divides its business into three business segments: STS Acoustics (which includes mainly soft trim products), STS Plastics (which includes mainly hard trim products), and mixed composite recycling ("**Materials**") (which includes semi finished goods from glass-fibers). The STS Acoustics segment, which has existed for all of the periods under review, includes the development, the manufacturing and the sales of soft trim applications for STS Group customers. Soft trim applications have acoustic and thermal features, which reduce noise and protect against heat. The STS Plastics segment, which has existed since 2017, includes the manufacture of hard trim applications for STS Group's customers. Hard trim applications are used for exterior body parts or interior modules. They are light weight, non-corrosive and can be formed into complex designs. The Materials business segment, which has existed since 2017, includes the production of semi-finished goods, namely sheet molding compound ("**SMC**") mats, bulk molding compound ("**BMC**") and advanced molding compound ("**AMC**"). The semi-finished goods are used internally for hard trim applications and are also supplied externally to third parties.

The principal raw materials and commodities used in the manufacture of the STS Group´s products are resin, plastic compounds, natural and man-made fibers, and metal parts. Due to its full vertical integration, the STS Group produces the principal semi-finished goods like SMC mats or felt at its own factories.

The STS Group consists of several subsidiaries which are directly or indirectly 100% controlled by the STS Group AG. The STS Group AG is the strategic management and financial holding company of the STS Group. It performs the central management function and provides shared services to the group such as accounting and controlling, purchasing, sales, human resources, strategic, public relations, information technology and quality systems, among others.

In the financial year ended 31 December 2017, the STS Group generated revenues of kEUR 309,993 and EBITDA of kEUR 55,036. On a pro-forma basis, i.e. assuming that the Dolmen Acquisition and the Opus Acquisition had been consummated as of 1 January 2017, the STS Group generated pro forma revenues of kEUR 425,226 and pro forma EBITDA of kEUR 65,814 in the financial year ended 31 December 2017.

The STS Group believes that it has a strong global presence and, with its two plants and the opening of the third plantin China, it already has a fully-integrated operational business in the large Chinese market. It generates most of its business in Europe (predominantly in France, Italy and Germany) and ships its products to its customers` locations from its local operating plants in the respective jurisdictions in which its customers` facilities are located and from its main European operating facilities. As of 31 December 2017, it had 16 operating facilities worldwide and 2,535 employees.

13.2 Competitive Strengths

The STS Group believes that its key competitive strengths include the following:

- ***The STS Group´s technological know-how enables it to provide a one-stop shop for its customers interior and exterior acoustic and thermal insulation needs.***

  The STS Group has more than 85 years experience in its technological know-how for acoustic and thermal insulation parts through its predecessor company Unikeller AG (founded in 1934; today STS Acoustics S.p.A.) and more than 66 years experience in structural and visual plastic parts through its acquisitions of Plastic Omniums global truck business (founded in 1952) in the automobile and trucking industries. The STS Group is one of the few global automotive system suppliers possessing the technological know-how to provide for and to combine all aspects of the structural, visual, acoustic and thermal parts of its products, enabling it to provide its customers with a “one stop-shop” approach to their automobile and trucking parts needs. For example, the STS Group can provide its clients with all soft and hard trim products to build an entire vehicle cabin, which enables an OEM to significantly reduce its costs by sourcing a variety of products from one supplier. Furthermore, the STS Group is well positioned with its know-how to capitalize on mega trends such as autonomous driving and e-mobility.

- ***The STS Group covers the entire value chain for its customers***

  The STS Group is able to cover all aspects of the value chain for its customers, from the initial research and development efforts to conceptualize a product for its customers to the final painting shops and sequencing centers before the product is delivered to the end customer. This full level of vertical integration enables the STS Group to provide cost effective and high-quality products to its customers, while ensuring the security of the supplies for critical components such as SMC and felt.

- ***The STS Group can adapt its batch size to meet the individual needs of its customers.***

  The STS Group has the advantage of being able to produce small and large batch sizes for its customers as a result of its applied technologies such as SMC. This enables the STS Group to target a broad range of customers for all of its products as compared to larger automobile and trucking parts suppliers which concentrate only on servicing customers for large batch orders and are thus exposed to economic downturns when such large customers reduce the number of automobile and trucking parts which they purchase.

- ***The STS Group has a strong integrated global platform in its key markets from which it can leverage further international growth***

  The STS Group operates 16 plants in seven countries on three continents, with large facilities in its major regional markets of Europe, China, the NAFTA market and South America. These operations are strategically located near or in sequencing plants of its major OEM customers, which enables the STS Group to provide the services and products which its customers need in a timely and cost-effective manner through the use of local personnel skilled in the operation of such facilities and attuned to the needs of local customers. In addition, this enables the STS Group to grow organically with its key customers and better to respond to the changing needs of its international customers as they know their situation based on their proximity to and understanding of their customers` business.

- ***STS Group's experienced management team can capitalize on its long-standing OEM relationships by leveraging its strong customer relationships into cross-selling opportunities***

  The members of the management board of the STS Group have 54 years of collective management experience in the automotive industry. The Company has a lean corporate structure with direct department reporting to the management board. The Company's long-standing customer relationships of over 20 years on average (Europe > 20 years, China > 10 years and the Americas ~ 10 years), support a strong position in a competitive market environment, which is supported by a strong order backlog. It also opens cross selling potential between STS Acoustics and STS Plastics though a combination of technologies. At the date of the Prospectus, the STS Group supplies its various customers from either one of the two major businesses, the Acoustics or Plastics segment, meaning that customers mainly order either hard-trim or soft-trim products. The Company's management believes that it can potentially achieve cross-selling opportunities by actively engaging the customers with both product types, and thereby fostering its status as a "one-stop-shop".

Given this depth of experience, the Company believes that it is well prepared to further expand its business through the successful implementation of its growth strategy. The Company´s senior management team is further supported by a strong team of qualified employees with relevant industry expertise and a strong track record of execution in both organic and external growth initiatives on an international scale.

13.3 Business strategy

The STS Group´s mission is to become a global leader in acoustic and thermal insulation products and components made of plastics or composite material for the automobile and trucking industries. . In pursuit of its goal to enhance its competitve position and to achieve an EBITDA margin in the low double digits in the long-term, the STS Group focuses on four strategic pillars: "market leadership", "technological leadership", "customer proximity" and "operational excellence".

- ***The STS Group intends to continue to expand its already strong market leadership position***

  The STS Group believes that it has become one of the leading global automotive system suppliers in soft and hard trim components by providing a combined product portfolio of hard trim and soft trim systems and solutions for the automobile and trucking industries. The STS Group focuses on the commercial vehicle segment as well as on small and medium batch sizes in the passenger vehicle market and pursues market opportunities in its core regions of Europe, China and the Americas. The STS Group undertakes a number of strategic actions in these key geographical markets with regard to its potential and existing customers, products, operations and organizational procedures.

  Europe

  Customers: In Europe, the STS Group currently focuses on expanding its business with its existing OEMs. The STS Group intends to leverage its experience working with these OEMs to potentially acquire new clients in Russia. The STS Group also intends to expand its customer base in the LCV category in the "sprinter class", which includes commercial vehicles such as the Mercedes Sprinter, and organically to grow its business in the LV category by strengthening its Tier 2 business. Its strength in the light commercial vehicle segment can be furthered expanded into sports cars, luxury cars or e-mobility vehicles, including full electric vehicles, as well as hybrid electric vehicles and those using hydrogen fuel cell technologies. In addition, the STS Group wants to expand its customer base in the agriculture and construction segment by following their local customers from local markets as part of their global expansion to other markets based on their long-standing relationships.

  Products: The STS Group is focusing on developing products combining structural, visual, acoustic and thermal functions and supplying complete systems to its customers such as its vehicle cabin.

  Operations: The STS Group intends to increase the automation of its manufacturing processes to improve product efficiency and reduce fixed costs. In addition, production capacities are being increased and shifted to Eastern Europe to benefit from lower labor costs.

  Organization: With regard to the STS Group's organizational procedures, the STS Group has established group wide purchasing and sales functions at its headquarters in Germany. Its R&D centers in plastics and acoustics are located in France and Italy for its European business and in China for its Asian business, allowing quick and easy access to its local markets.

China

Customers: The STS Group is currently seeking to increase its penetration rates in the Chinese market with a particular focus on acquiring new business in the trucking industry in China, such as Dongfeng, FAW, Shaanxi, CNHTC and Beiqi Foton. The STS Group is also continuing to expand its position as a Tier 2 supplier in the LV category by expanding its local business operations for the LV category in China.

Products: With regard to its product portfolio, the STS Group intends to expand its hard trim components in thermoplastics and pursue the development of a product solution to address new trends such as battery boxes covers for electric vehicles.

Operations: The STS Group plans to open a third plant in West China (near one of its existing customers) and to expand its production capacities at the existing plants for the thermoplastic production to ensure an adequate supply to meet the demands of its existing customers. The STS Group is also pursuing an increase in automation of its manufacturing processes to improve its production efficiency in China.

Organization: With regard to its organizational structure, the STS Group is currently seeking to strengthen its research and development activities in China and to create a stronger link to the existing European research and development center and to foster ties with European OEMs active in China.

America

→ South America

Customers: The STS Group's key customer in Brazil is Fiat Chrysler Automobiles ("**FCA**"). FCA designs, engineers, manufactures and sells vehicles and related parts and services, components and production systems worldwide in more than 150 countries. The STS Group focuses on maintaining and strengthening its ties with FCA as a Tier-1 supplier and on expanding its customer base in the LCV category in addition to its business relationship with FCA by leveraging on already existing LCV business with other customers from other regions. The STS Group also seeks to enter the Brazilian MHCV market with soft trim product solutions by targeting existing customers such as Volvo Trucks and Scania.

Products: The STS Group intends to introduce its soft trim product portfolio into the Brazilian MHCV market.

Operations: The STS Group continues to improve production efficiency, especially in semi-finished goods such as felt mats.

Organization: The STS Group is expanding its sales team in Brazil to better serve the Brazilian market.

→ The NAFTA Region

Customers: The STS Group intends to enter into the LV and MHCV segment in Mexico by targeting the Mexican operations of existing customers such as FCA and Daimler but also by acquiring new business from Mexican and US based OEMs such as Navistar, PACCAR, Toyota and Ford. Additionally, STS Group seeks to expand its light vehicle business by penetrating existing customers with manufacturing in Mexico. The STS Group also plans to become a Tier 2 supplier for Mexican and US automotive suppliers and to enter into the agriculture/construction segment by targeting existing and new customers, e.g. AGCO, CNH, John Deere or Caterpillar.

Products: The STS Group plans to expand its hard trim product portfolio to the LCV and LV market. It would continue to serve the LV market as a second tier supplier.

Operations: The STS Group continues to improve production efficiency by implementing best practices from other sites.

Organization: The STS Group is currently expanding its sales team for the North American market to better serve its customers. As a next step, it is planned to establish production capabilities in the US.

- ***The STS Group strives to expand its technological leadership position and further develop new technologies***

  The STS Group believes it is one of the leading global automotive system suppliers in soft trim and hard trim products from a technological perspective. As part of its strategy to expand its technological position, the STS Group plans strengthen its one-stop approach to provide its customers with fully integrated systems combining structural, visual and acoustic/thermal features. It also plans on building its strategic partnership with OEMs, especially at the early stage of vehicle development. In addition, STS Group aims to bundle the Group's technological know-how within the organization to maintain its competitive edge over its competitors. The STS Group intends to offer all currently existing technologies (injection molding, thermos compression and acoustics) globally in all regions and markets by transferring the know-how and technologies from Europe to the regions in which it has operations.

- ***The STS Group intends to increase the number of plants in close proximity to its key customers and expand in the markets in which they are expanding or already present***

  The STS Group intends to increase the number of plants in close proximity to its key customers. In the past, the STS Group was able to provide premium service to these customers by quickly recognizing and responding to their changing needs as the market for automobile and trucking parts changed. In the future the STS Group intends to continue to focus on these key customers by increasing the number of plants in close proximity to their existing plants and building additional plants in the new markets in which its key customers are expanding. This is mainly possible due to the strong and long-lasting business relationships with many of the world's leading OEMs.

- ***The STS Group is committed to maintaining the highest standards of operational excellence***

  One of the STS Group's main strategic goals is focused on "operational excellence", which means that the STS Group focuses on providing a global fully vertically integrated business model by producing small and medium-sized batch product sizes, implementing a group-wide manufacturing system and increasing production automation. The STS Group seeks to apply the highest quality standards and to promote a culture of continuous efficiency improvements within the STS Group.

  The STS Group provides a vertical integrated production process for various product batch sizes and offers its customers the advantage of local production through a global footprint, especially in low-cost countries like China, Eastern Europe, Brazil and Mexico. The STS Group believes that there is further potential for consolidation from a functional perspective, in particular, in the design- and engineering functions as well as from an operational perspective, especially on the production side.

  The STS Group's main goal is to grow its revenues, become more profitable and generate more cash flow. To accomplish this goal, the STS Group believes that it has to focus on entering new markets, developing technology that fits with the particularities of existing markets and the markets it intends to enter in the future and constantly working to improve quality and productivity. From a long-term perspective, the STS Group seeks to increase its compounded annual growth rate ("**CAGR**") above market peers by gaining additional market share globally and in China in particular, increasing its EBITDA by achieving average industry profit margins and decreasing its annual costs through continuous efficiency improvements and cost reduction.

13.4 History of the STS Group

The original business of the STS Group was founded in 1934 by Unikeller AG, which was later acquired by autoneum (formerly Rieter Group). In 2013 the Selling Shareholder acquired the Italian-based whole commercial vehicle acoustics and Italian light vehicle acoustics business from Autoneum, which led later to the formation~~,~~ of STS Acoustics. Following the establishment of the STS brand in 2013, STS Acoustics was restructured in Italy between 2013 and 2015 during which the number of its sites was reduced from five to three to increase efficiencies. The STS Acoustic business segment focuses on supplying soft trim parts for the major European Trucking OEM´s and Italian passenger car manufacturers. STS Acoustics expanded its business to Poland in 2016 by opening a green field plant in 2016.

In December 2016, STS Plastics SAS (a company founded by STS as an acquisition vehicle) acquired the truck business from Mecaplast France SAS (Mecaplast today renamed in Novares France), which marked the STS Group´s entry into the hard trim business. The truck part supplying business consists of the production and assembly of interior and exterior plastic parts such as shelves, storage spaces, bumpers for light and commercial vehicles which are produced at the French plants Izernore and Précigné. This business is currently part of the STS Plastics segment.

With the acquisition of the truck part supplying business of the Plastic Omnium Group in June 2017, the STS Group expanded its product portfolio of exterior thermoset components and modules for truck cabins and light vehicles. The majority of this business is today part of the STS Plastics segment. The remaining part is the company MCR SAS, which now forms the Materials business segment.

On 30 September 2017, the STS Group acquired the Brazilian plant in Betim from the Autoneum group by way of a share deal in respect of the entire share capital of Minas Têxteis – Fabricação de Peças e Partes Automotivas Ltda.. The STS Group expanded its business into South America with this acquisition and it is now currently developing its operations there.

13.5 The STS Group´s Business Segments

The STS Group operates its business through three business segments:

STS Acoustic

The technologies in the STS Acoustic business segment include thermoforming, foaming and textile lamination, which are used for noise insulation and trim purposes in interior and engine compartments of automobiles and trucks, such as~~,~~ headliners and floor mats, as well as to protect against heat. Acoustic technologies can also be used in exterior parts of automobiles and trucks, such as wheel arch liners. The thermoforming process involves pressing felt mats, which are internally produced by the STS Group, into a mold to form the soft trim part. The felt is produced in-house and made of cotton, polyester, polyamid, glass wool, resin and binder. The foaming process involves the injection of a foam into a mold, which then hardens into the shape of a defined product. As a final step, these parts can be laminated with different textiles to produce a final product, which can then be installed directly into an automobile or truck.

STS Plastics

The principal technology of STS Plastics is thermo-compression. The thermo-compression process involves pressing SMC mats into a mold to produce a plastic part, for example, for truck roofs and front lower grills for automobiles and trucks. The SMC mats are primarily produced in France by MCR internally and at the STS Plastics China plant in Jiangyin.

STS Plastics also processes thermoplastics by injection molding. This is, by definition, a manufacturing process for producing parts by injecting molten plastic material into a mold. The advantage of injection molding solutions is that they are lightweight and cost effective. The thermo-compression parts are often made out of plastic and glass-fiber and are therefore a cheaper and lighter substitute for metal parts because of their mechanical stiffness and their non-corrosive properties. STS Plastics covers all of these types of applications in a vehicle, including storage units and grills.

The STS Group is one of the few global automotive industry suppliers which is able to provide its clients with both thermo-compression and injection molding technologies, which enables the STS Group more cost effectively to provide both technologies for its customers.

Materials

In its Materials business segment, the STS Group, whose facilities are located in France and China develops and produces semi-finished materials such as SMC mats, BMC and AMC. The Materials segment supplies STS Plastics internally and other third-party customers externally. The products can be used to produce mainly thermo-compression parts with high mechanical stiffness. These can be found in hard-trim products such as entry steps, bumpers and roof deflectors.

13.6 Products

The products of the STS Group are broken down into two main categories: "soft trim" (the STS Acoustics segment) and "hard trim" (the STS Plastics segment). Both of these categories are subdivided into three sub-categories of application: "Interior", "Exterior" and "Engine". The two main categories, soft trim and hard trim, are found in the final products of the OEMs: Medium and Heavy Commercial (“**MHCV**”) -, Light Commercial (“**LCV**”) -, Agriculture and Construction (“**ACV**”) - as well as Light Vehicles (“**LV**”). The STS Group also produces “semi-finished” goods such as felt mats and SMC mats, the latter through its Materials segment.

The STS Group´s products used in MHCV products of OEMs are required to be durable, functional and comfortable as they are principally used for heavy vehicle commercial purposes such as for long-haul transportation and thus are exposed to extreme conditions. The hard trim and soft trim products for MHCVs focus on making the vehicle operate quietly and at the same time making the inside of the cabin elegant and functional through cost-effective performance. These products are also made with lightweight materials to make the final product as energy efficient as possible. In terms of exterior products, the STS Group produces bumpers. In terms of interior products, the STS Group products include glove compartments and headliners and noise shields for engines.

LCV vehicles are crucial for the so-called last mile logistics as they provide a high level of functionality and flexibility. The STS Group is an experienced and recognized supplier for many parts for these vehicles, including soft trim and hard trim for the interior such as rear walls, and products such as tail lights for exterior products and for engine products such as noise shields.

ACV vehicles include a broad variety of vehicles such as tractors and construction machines. These products must be durable and as soundproof as possible. The STS Group is currently focusing on developing hard and soft trim parts mainly for tractors and construction machines for the construction industry, with a particular focus on soundproof parts and modules. In terms of interior applications, these include cabin trim and in terms of exterior applications these include exterior hoods and fenders. The STS Group also supplies engine encapsulations.

In addition, the STS Group produces hard- and soft-trim products for passenger cars (LV), regardless of size or type of car~~,~~ that reduces noise pollution and are light weight. The STS Group uses its extensive experience to design and manufacture parts for a broad range of applications encompassing the entire car. With regard to its exterior products, the STS Group produces parts with a variety of technologies, variable thickness levels, and multi-layer/multi-material layouts. With regard to its interior products, the STS Group provides acoustic parts with a broad range of surface materials. The STS Group also provides light weight plastic solutions such as tailgates which are provided mainly to Tier 2 OEMs producing light vehicles.

The STS Group is also expanding further into the luxury car category. The STS Group believes that luxury cars demand the highest technical standards possible and are focused on developing these products.

(A) STS Acoustics (Soft Trim):

Soft Trim products are mainly manufactured by STS Acoustics and are mainly used for insulation and acoustic applications to reduce noise and protect against heat. In terms of interior applications, the STS Group produces headliners or cabin walls for its customers, among other products. In terms of exterior applications, the STS Group products include wheel arch liners which improve the acoustic comfort of a vehicle. In addition, the STS Group produces sound absorbers and noise shields for engine and powertrain compartments.

STS Acoustics is vertically integrated and produces semi-finished goods, mainly felt mats from natural fibers internally. A smaller portion is also sold to third party customers

The demand for these soft trim products is usually driven by the OEM’s desire to improve the comfort and the usability of the vehicle for the driver and to reduce exterior sound pollution in accordance with increasingly stringent noise pollution regulations.

STS Acoustics offers a wide range of MHCV applications:

Soft Trim

Interior	Exterior	Engine
Headliner	Side Shields	Hoodliner
Cabin Side Trim	Composite Heat Shield	Noise Shield
Cabin Rear Wall Trim		Engine Encapsulation
Polymeric Cabin Floor Carpet		Sound Absorber
		Under Engine Shield

Some examples illustrated below include the engine hoodliner and thermoacoustic noise shield~~,~~.

NVH
Engine Hoodliner

NVH
Thermoacoustic Noise Shield

NVH
Cabin Floor

TRIM
Rear Wall

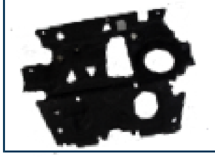
TRIM
Headliner Module

STS Acoustics also offers a wide range of products for the LCV market.

Soft Trim

Interior	Exterior	Engine
Inner dash	Under Engine Shield	Engine cover
Under Dashboard Insulator	Side Shield	Hoodliner
Polymeric Floor Carpet	Outer Wheel Arch Liner	Outer Dash
Cabin Trim	PU Gasket Seat	Battery Wrap
Other Cabin Floor Insulator		Engine Encapsulation
		Thermoacoustic Panels

Some examples illustrated below include the outer dash, thermoacoustic panels, cabin floor and cabin trim.



NVH
Outer Dash

Thermoacoustic

NVH
Cabin Floor

NVH
Cabin Trim

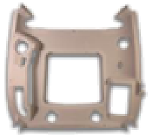
STS Acoustics also offers a wide product range for ACVs.

Soft Trim

Interior	Exterior	Engine
Headliner	Under Engine Shield	Hoodliner
Polymeric Floor Carpet	Side Shield	Noise Shield
Cabin Side Trim	Composite Heat Shield	Engine Bay
Other Cabin Floor Insulator		Sound Absorber
Cabin Rear Wall Trim		
Other Interior Trim Part		

Some examples illustrated below include the cabin floor, cabin trim, engine bay and thermoacoustic panels.


NVH
Cabin Floor


NVH
Cabin Trim


NVH
Engine Bay


Thermoacoustic

Finally, STS Acoustics also supplies various soft trim parts to the LV market:

Soft Trim

Interior	Exterior	Engine
Inner dash	Composite Heat Shield	Engine Cover
PU Dashboard Seal	Outer Wheel Arch Liner	Hoodliner
Under dashboard insulator	Tunnel Outer	Outer dash
Textile Cabin/ Floor Carpet	PU Gasket Seal	Battery Wrap
Trunk Flooring and Side Trim (Trunk Module)		Engine Box
Parcel Shelve		Sound Absorber

Some examples illustrated below include the inner dash, cabin carpet, parcel shelf, headliner or trunk modules.

(B) STS Plastics (Hard Trim)

Hard Trim products are mainly manufactured by STS Plastics and are generally used for applications requiring a certain stiffness. In terms of interior applications, the STS Group produces in its STS Plastics segment principally storage boxes and door panels, among other products. In terms of exterior applications, the STS Group produces bumpers, front panels or roofs and hard trim is also used under engine shields.

The demand for hard trim products is driven by the OEM's desire to reduce the weight and increase the safety of the vehicle to comply with increasingly stringent regulatory requirements to improve energy consumption.

STS Plastics offers a wide range of MHCV applications:

Hard Trim

Interior	Exterior	Engine
Completely Assembled Front	Bumper Upper/Lower/Corner	Metallic Heat Shield
Under Bunk Storage Assembled	Front Step Module Upper and Lower	Under Engine Shield
Fabric Overmoulded for Pillar	Entry Step Module	
Door Panel	Front and Upper Center Panel with Logo	
Assembled Central Drawer	Grille	
Assembled Glove Box	Headlamp Panel	
Front Shelves		

Some examples illustrated below include front shelves, under bunk storages, door panels and entry step modules.

Completely assembled front- modules

Front shelves

Under bunk storage

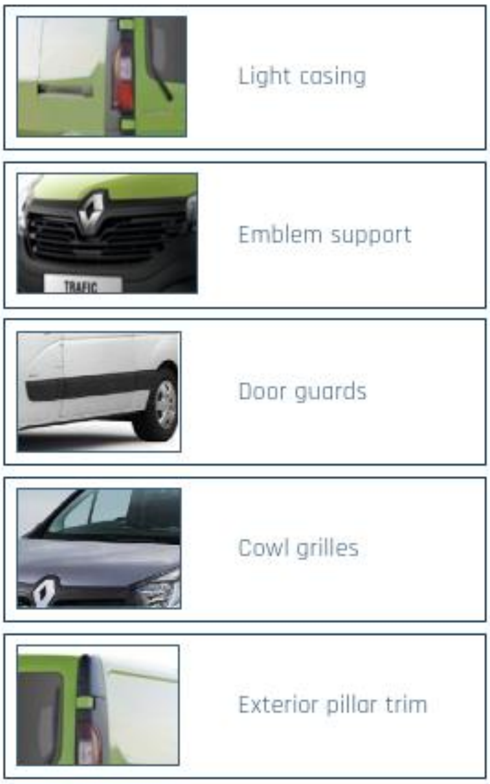
Door panels

Entry step module

For LCVs, STS Plastics currently produces only exterior parts, even though it would technically be possible to produce internal and engine parts. In the future, STS Plastics could also produce interior or engine parts.

Hard Trim
Exterior
Cowl Grille
Tail Light
Emblem Support
Body Side Moulding
Side Shield
Door guards
Pillar Trim

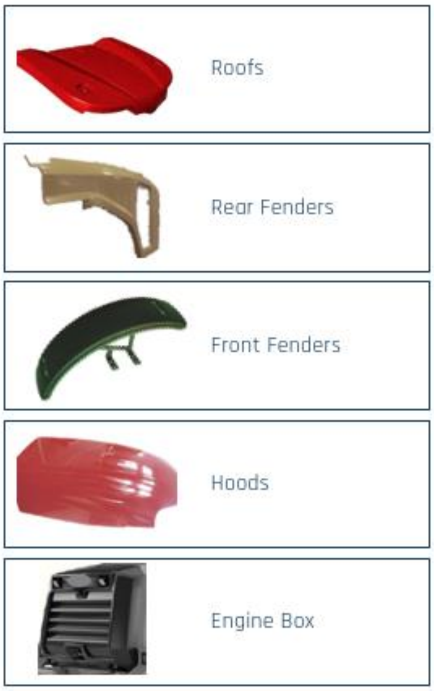
Some examples illustrated below include light casings, emblem support, door guards, cowl grills and exterior pillar trims:



In terms of agriculture and construction vehicles (ACV), STS Plastics currently only supplies exterior parts.

Hard Trim
Exterior
Roofs
Fenders
Side Shield
Hoods

Some examples illustrated below include roofs, rear and front fenders, hoods and engine boxes.

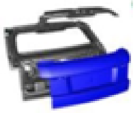
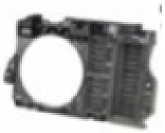


Finally, STS Plastics also supplies parts for the interior and exterior of LVs.

Hard Trim

Interior	Exterior
Fabric Overmoulded Pillar Trim	Carbody Side Moulding
Door Frame/ Tailgate	Underbody Shield
Interior Panel	Side Shield
Trunk flooring	Under Engine Shield
Fan Shroud	Metallic Heat Shield

Some examples illustrated below include inner and outer tailgate parts, trunk flooring and other car-body parts.

	Tailgate inner
	Tailgate outer
	Trunk flooring
	Fan Shroud
	Carbody parts

(C) Materials (semi-finished goods)

Semi-Finished Goods are produced by MCR S.A.S. SMC mats, for example, are used internally in the STS Plastics segment to produce thermos compression products but are also sold to third parties.

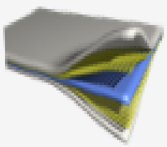
Felt mats are also semi-finished goods but are not reported in the Materials business segment but the STS Acoustics segment. The felt mats which are produced by STS Acoustics are mainly used internally for the production of soft trim parts in STS Acoustics. A small amount is sold to third parties.

Materials

- Cotton, polyester, polyamide, glaswool,
- Resin (phenolic, polyester, thermoplast)
- Binder

Felt

- Resin paste,
- glass fibre application,
- compression,
- maturation,
- storage.



13.7 Product developments and new services

The STS Group has a long history of product innovation.

The STS Group believes that its end customers want so-called “smart” vehicles which integrate information and safety features in a vehicle and provide emotional attachment to that particular vehicle. Reducing sound and vibration in these new “smart” vehicles, as well as building complex products with lightweight materials, makes the design for hard and soft trim products complicated. According to the Company, the vibro-acoustic design and the look and feel of the interior plays a significant role in the selection of the vehicle by the final customer.

In the future the STS Group will focus its research and development efforts on the development of a number of initiatives. These include the development of new products (such as the SMC battery box), new interior designs and surfaces for soft trim and hard trim products, the development of trim /structural components with specific characteristics needed to fit with electronic devices (for example, SMC cover panel), lightweight solutions which will replace steel applications (complete plastic exterior systems, for example, for bumpers) and headliners with glass fiber for weight reduction to support the electrification of vehicles.

One example of a new, innovative product is the design of the roof system for STS Group’s “next cabin”. As it is capable of providing almost all parts of a whole system, the STS Group uses a holistic approach for the roof design, which enables it to develop different shapes and structures. These parts can be easily installed by customers with only limited assembly needed.

13.8 Value chain

The STS Group covers the value chain from the development of a product to its ultimate sale to an end customer. The major steps in the value chain include:

- R&D
- Procurement
- Tooling and Industrialization
- Manufacturing and Assembly
- Logistics
- Sales

R&D

The STS Group has 16 facilities in seven countries with four research and development centers in close proximity to key customers and more than 70 engineers across its facilities. Its research and develop activities are focused on developing tailor-made solutions for its customers. The combined competencies in application (materials, acoustics, thermal, esthetics and structure), materials (thermoplastic, thermoset), and manufacturing (semi-finish, finished product) differentiate the STS Group from many of its competitors. Its research and development teams work in well-equipped laboratories and prototyping facilities to deliver a quick and reliable development process. The STS Group has a research and development prototyping center for each business segment, while STS Plastics has research and development centers in France and China and STS Acoustics has its research and developmentcenter in Italy. A fourth research and development and prototyping center for composites materials, especially SMC mats, is located in France at MCR S.A.S.

The STS Acoustic's experience ranges from soft trim parts components with several levels of functionality including acoustics/esthetics, acoustics/thermal and acoustics and structure. STS Acoustics has a complete set of simulation software and a well-equipped acoustic laboratory, enabling it to forecast the performance of a single acoustic component as well as of a complete vehicle.

STS Plastics combines its competencies in hard trim material application and advanced processes know-how in thermoplastic and -set, injection molding in order to be able to provide quick and reliable development processes supported by modern computer tools for simulation, analytic and geometry.

Materials applies its extensive know-how for tailor made SMC, BMC and AMC solutions. Depending on customer and market requirements, they work closely together with customers to develop a proper product.

With its laboratories, the STS Group´s research and development team has the requisite capacity and equipment to perform most of the tests required based on customer specification. The STS Group has the equipment to test fiber, felt, textile carpet, rubber carpet and plastics through an array of mechanical, chemical, and aging tests from -40C to 150C and up to 90% humidity. With its climate chamber the STS Group can perform fatigue tests with a vibrator under different temperature conditions.

The STS Group's prototype workshop located in Santhia, Italy (where the Italian research and development center is located) is equipped for the manufacturing of wood and resin tools with presses for thermoplastic and thermoset molding and waterjet, among others. With the dedicated prototyping workshop, the respective tool can be checked without disturbing the serial production of a particular product.

Procurement

Strategic procurement is centralized at the Company's corporate headquarters in Hallbergmoss. Local teams at the different group sites execute purchasing on a day to day basis but are managed from its corporate headquarters.

Tooling and Industrialization

One main step of the development of its products are tools which are used in later serial production. The STS Group purchases all of its tooling equipment for the manufacturing of its products from third-party providers. They work closely together with the providers to develop the tools. Once the tool is ready for serial production, the customer, for which the products are manufactured, approves the tool. Normally, the Company then resells the tool to the customer.The only exception is China where the tools remain the property of the STS Group even after approval by the customer. Molding tools are the primary equipment used by the STS Group.

The concept, design and testing of the production processes are performed internally. As a final step, the STS Group ramps up the mass production based on volume and quality requirements of the customers.

Manufacturing and Assembly

The STS Group manufactures and assembles the majority of its products at its plants located near or in sequencing plants at the premises of the major OEM customers` facilities. The STS Group has a wide range of technologies, machinery and production processes ranging from the production of felt to thermoforming, thermocompression, foaming, injection molding, milling, and the final assembly of the products. The STS Group is focused on maintaining state of the art technology and machinery to ensure that it provides its customers with the highest quality products in line with the best performance practices of its customers. It bases its efforts to continuously improve its technologies, machinery and production processes on world class manufacturing principles and methodology, where the STS Group strives to apply lean manufacturing standards globally. The STS Group also operates its own paint shops to finalize its products.

Logistics

The STS Group provides full logistical service to its customers. The STS Group supply chain is committed and structured to enable its customers to receive the right quantity of a particular product processes on time and delivered in the right place. The STS Group focuses on minimizing the costs and lead-time to the benefit of its customers. Its plants are located near its OEM customers manufacturing sites or in sequencing plants at its customer's sites in order to ensure flexible and reliable logistics. The STS Group provides its customers with Just-In-Time (JIT) and Just-In-Sequence (JIS) processes. JIT is a production strategy with the aim of continuous information and material flow along the supply chain. JIS is an inventory strategy that matches JIT and complete fit in sequence with variation of assembly line production.

Sales

The STS Group's sales department covers acoustics, plastics and composites and works closely with the engineering team. The sales organization is led by an experienced head of sales and includes a separate sales force organized by region (America, Europe and China) and by customer to ensure direct one-on-one interaction with its major customers.

The STS Group´s sale department is headed by the chief sales officer ("**CSO**") located in the Company headquarters in Germany. The Company has four sales directors ("**SD**") based out of its headquarters, of which one is solely responsible for China, and these four SDs have regional sales teams which report directly to them. The SDs also have key account managers ("**KAM**") who work directly for them and who are responsible for one or several key account relationships. The KAMs work closely together with the regional sales team responsible for their respective key account. The salesforce of the STS Group has on average more than 15 years of industry experience and benefits from its well-established network and customer relationships. Together with the R&D team they are directly involved in the conceptual phase of the development of new products with the clients.

13.9 Sales Overview

Based on the consolidated revenue on a pro-forma basis in the amount of kEUR 425,226 (for further information on the pro-forma consolidated financial information, including an explanation of their hypothetical nature, please refer to "*23.5 Pro forma consolidated financial information for the financial year 2017 including auditor's report*") and the Company's assessment of the sales and customer structure of the respective businesses acquired through the Dolmen Acquisition and the Opus Acquisition, the Company estimates that approximately 55-60%, 10-15% and 20-25% of such pro-forma consolidated revenue would be attributable to the MHCV market segment, the LCV market segment and the Light Vehicle segment, respectively, with the remainder being attributable to agriculture & construction and other vehicle categories. In terms of allocation by business segment and by geography the Company estimates, subject to the same assumptions and qualifications as set out above, that (i) approximately 60% and 30% of such consolidated revenue on a pro-forma basis would be attributable to the Plastics segment and the Acoustics segment, respectively, with the remaining approximately 10% being attributable to the Materials segment and that (ii) revenues with customers domiciled in Europe would have accounted for roughly 80% of the consolidated revenue on a pro-forma basis with the remainder being attributable to the markets China and NAFTA / South America (>10% and <10% of consolidated revenue on a pro-forma basis, respectively).

Investors should be aware that the financial data in this Section 13.9 is based on the Company's estimates or forecasts, is neither audited nor derived from the Company's accounting records nor included in the financial information as disclosed under "*23.5-Pro-forma consolidated financial information for the financial year 2017 including auditor's report*" and may not be indicative of future results.

13.10 Customers

The Company has developed a number of strong partnerships with its major customers. Its OEM customers in leading market positions also act as references to provide the Company with access to new customers and customer relationships, which the Company believes help it lay the foundation for further expansion into new and current markets. The Company estimates that in the current financial year its largest customers in terms of revenue contribution will include: Volvo Truck, FCA, Daimler Truck, Plastic Omnium, Scania, Novares (formerly Mecaplast), IVECO, MAN, and CNHTC.

In terms of customer concentration, the STS Group estimates that between 65% and 70% of the consolidated revenue expected to be generated in the current financial year will be attributable to such top five customers

The Company´s main customers are the large European OEMs which traditionally are active in MHCV and/or LV. In 2017, the Company expanded its customer base with new strategic partnerships in China, supplying renown Chinese OEMs.

Despite the numerous acquisitions for the periods under review, the STS Group has managed to maintain a strong order backlog and additional pipeline for customer orders. This strong order backlog and pipeline indicates the strong relationship which the STS Group has with its main OEM customers.

13.11 Suppliers

The STS Group sources its raw materials from suppliers such as Texnon, Fenolit, Covestro, Alyances, Basell, DSM, Group Rouger, BASF and AXALTA.

For some semi-finished goods, the STS Group is vertically integrated. For example, STS Acoustics manufactures semi-finished goods on its felt lines which are then used to produce acoustic parts, and Materials produces semi-finished goods, mainly SMC mats.

The Company´s top five suppliers accounted for 18% of its total purchasing volume in 2017. Some of these key suppliers provided the Company with important resources to produce its products, mainly resin, glass fiber and heavy layer. The Company has a long-term relationship with a number of its key suppliers and has worked with most of the same key suppliers for a number of years.

13.12 Research and development, intellectual property and information technology

Research and development

The Company conducts research and development activities based on improving the quality and usability of its products for its customers. The Company has created a research and development system to develop new products and methods for bringing these products to the market. The Company´s research and development department usually works closely with its customers in all phases of production. A customer normally asks the research team to find a solution to manufacture a part with a complex structure or a part with specific attributes or, STS develops a new technique such as manufactureing heavy metal parts from lightweight material. The STS Group believes it has an edge over its competitors by anticipating its customers' needs.

The STS Group believes that its end customers want so-called "smart" vehicles which integrate information and safety features in a vehicle and provide emotional attachment to that particular vehicle. Reducing sound and vibration in these new "smart" vehicles, as well as building products with lightweight materials, makes the design for hard and soft trim products complicated. According to the Company, the vibro-acoustic design and the look and feel of the interior, plays a significant role in the selection of the vehicle by the final customer.

In the future the STS Group will focus its research and development efforts on the development of a number of initiatives. These include the development of new products (such as the SMC battery box), new interior designs and surfaces for soft trim and hard trim products, the development of trim /structural components with specific characteristics needed to fit with electronic devices (for example, SMC cover panel), lightweight solutions which will replace steel applications (complete plastic exterior systems, for example, for bumpers) and headliners with glass fiber for weight reduction to support the electrification of vehicles.

One example is the design of the roof system for STS Groups "next cabin". As it is capable of providing almost a whole system, the STS Group uses a holistic approach for the roof design, which enables it to develop different shapes and structures. These parts can be easily installed by customers with only limited assembly needed.

Dependency on Protective Rights

Many of the STS Group's products are highly dependent upon STS Group's technological know-how with some subsidiaries of the STS Group using IP rights granted by third parties.

STS Plastics Co. Ltd.

With regard to the business activities conducted in China, STS Plastics Co. Ltd. utilises various formulas, know-how and patents especially for SMC (sheet molding compound) and AMC (advanced molding compounds) products, product design and production processes. Other than these patents, formulas and know-how, the STS Group does not depend on licenses, patents or other IP rights of third parties in China.

STS Acoustics S.p.A.

STS Acoustics S.p.A. currently produces parts (insulation concepts for inner dashes) which are covered by third party patents with regard to the material composition currently used as well as other suitable material compositions which are used for the aforementioned products.

However, it is currently envisaged that the STS Group will not use those patents for new projects but find other material compositions which are based on technological know-how of the STS Group and not on third-party patents.

MCR SAS

One of the STS Group`s subsidiaries, MCR SAS, is party to an agreement with a third party, under which the other party will become owner of any intellectual property rights resulting from the agreement while MCR SAS will be granted a long term license for any such intellectual property rights which result therefrom.

At present it is not certain whether the cooperation between the parties will lead to the creation of any intellectual property rights. MCR SAS was also granted certain intellectual property rights referring to certain formulas in return for certain third party know-how.

13.13 Intellectual Property

Intellectual property is a vital part of the STS Group´s business, especially its technological know-how. Its intellectual property rights include patents, know-how, formulas, trade secrets, trademarks, and design expertise. The STS Group divides its intellectual property based on business segment. In the STS Acoustics segment, the STS Group has certain third-party patents to cover the material composition of products such as insulations concepts for inner dashes. In its STS Plastics segment, the STS Group utilizes a number of patents for a small portion of its revenue, and therefore is not dependent on those. In its Materials business segment, the Company has entered into aan arrangement with another company under which one of its subsidiaries will be granted certain intellectual property rights if such intellectual property rights are created. Other than any licenses created from this agreement, the Materials business segment does not have any licenses on patents because in many cases the respective formulas of how to mix the material to produce semi finished products such as SMC mats with the correct properties are kept confidential.

Information technology

The STS Group relies on a number of information technology (IT) systems throughout the whole organization. The IT systems provide its management and employees with the information required to operate the business. A dedicated IT team is working constantly on improving the IT system by standardizing the IT landscape. This continues to allow management to rely on the provided information and to implement their strategy.

Due to the recent number of acquisitions during the periods under review, some of the IT systems have not been standardized with and integrated into the STS Group´s IT systems because they have not been carved out. Today the Company has implemented application-specific measures such as redundantly-designed IT systems, backup processes as well as virus and access protection and is is continuing to standardize its IT infrastructure.

13.14 Investments

13.14.1 Past material investments

Investments – acquisition costs	As of 31 December		
kEUR	**2015**	**2016**	**2017**
Intangible assets	131	4,760	21,961
Land and buildings	0	9,258	24,419
Technical equipment and machinery	959	5,077	27,389
Operating and office equipment	57	120	1,734
Advance payments and assets under development		240	3,561
Total	**1,147**	**19,455**	**79,064**

The main source of the STS Group´s historic and ongoing investments has been and continues to be from cash generated from operating activities, loans from its shareholder, third party financing and factoring and leasing arrangements.

Material investments in financial year 2015

In 2015 STS Group mainly incurred replacement and maintenance investments at the Italian sites regarding technical equipment and machinery totaling kEUR 959 for ongoing operational business.

Material investments in financial year 2016

In 2016, the investments of STS Group mainly relate to the Bellini Acquisition. The additions to intangible assets due to the acquisitions through business combinations amounted to kEUR 4,536, wheras the additions to property, plant and equipment due to the acquisitions through business combinations amounted to kEUR 8,722.

Furthermore, the STS Group acquired land and buildings and technical equipment and machinery at the Pignataro Maggiore site.

Material investments in financial year 2017

In 2017, the investments of STS Group mainly relate to the Dolmen Acquisition and the Opus Acquisition. The additions to intangible assets due to the acquisitions through business combinations amounted to kEUR 19,420, wheras the additions to property, plant and equipment due to the acquisitions through business combinations amounted to kEUR 47,607.

Material investments in financial year 2018 until the date of the Prospectus

Until the date of the Prospectus mainly investments for the ongoing business were done or approved. All investments are in line with the approved overall investment budget 2018.

For the remaining European business, only minor investments for the ongoing operational business were done.

13.14.2 Current material investments

In Poland a new lamination machine was ordered to fulfill the volume increase of the planned business. This investment was financed by leasing.

13.14.3 Future material investments

The STS Group plans to invest around EUR 13 million in the business year 2018. A major part is foreseen for the increase in capacities in China. Additional capacities and replacement investments were needed in current two production plants and investments are being needed to for new equipment for a new production site to increase the overall capacity.

It is planned to finance Investments in 2018 by a lease financing and by the use of the operational cash flow as well as proceeds from the Offering.

13.15 Property, plant and equipment

STS Group AG

The Company's headquarters are located in Zeppelinstr. 4, Hallbergmoos close to Munich in Germany.

STS Composites Germany GmbH (Germany)

Kandel Plant

The Kandel Plant is located in G-Park Karlsruhe – Kandel, Erlenbachweg 1b, 76870 Kandel, Germany. The total facility amounts to about 4,600 sqm. The plant is a sequencing plant, assembling products for Daimler Trucks. The facility is subject to an operating lease which expires on 30 April 2021.

STS Acoustics SpA (Italy)

Santhiá Plant and Engineering Center (HQ)

The Santhiá Plant and Engineering Center is located in Via Guido Rossa 1, 130048 Santhiá (VC), Italy. The facility is about 59 km from Torino Airport and 88 km from Malpensa Airport and is well connected to two important national highways (A4: Torino-Venezia and A26: Genova-Gravellona Toce). The operational area of Santhià Plant has a surface of about 78,000 sqm, of which 32,300 sqm are covered. It produces acoustic, thermal and interior solutions for commercial vehicles clients Volvo, Scania, Iveco, CNH and Daimler. In addition, it produces tailor made acoustic, thermal, interior trim and trunk solutions for luxury/sport cars clients Ferrari and Maserati. The number of employees amounts to 319 (as of April 2015). The plant is equipped with 2 felt lines, 58 conversion presses for thermo set / thermo plastic moulding and aesthetic lamination, 3 woodstock lines, 2 carpet lines and 2 water jets. The production is carried on through 2-3 shifts of 8 hours each per single day on a basis of 5 working days per week. The facility is owned by STS Group.

Pignataro Plant

The Pignataro Plant is located in S.S. Appia km 191 200, 81052 Pignataro Maggiore (CE), Italy. The facility is about 43 km from Napoli Airport. It comprises 18,000 sqm. It produces acoustic, thermal and interior solutions for commercial vehicles. In addition, it produces acoustic, thermal, interior trim and trunk solutions for high-volume car manufacturers light vehicles. Pignataro is the Group’s major production site for Fiat Chrysler Automobiles (FCA). The plant is equipped with 1 felt line, 20 conversion presses for thermo set / thermo plastic moulding, 2 woodstock lines, 2 carpets lines, 2 floor mat lines, 3 foaming lines, 6 injection moulding presses and 5 water jets. The production is carried on through 2-3 shifts of 8 hours each per single day on a basis of 5 working days per week. The facility is owned by the STS Group.

Desio Plant

The Desio Plant is located in Via Gaetana Agnesi 251, 20832 Desio , Italy. The facility is about 54 km from Malpensa Airport and 26 km from Linate Airport and is well connected to Superstrada SS35 Milano/Bovisio-Masciago MB, Italy, and the ring of Milano. The Desio facility consists of one main building hosting the production facility and a storage area and two other smaller buildings dedicated to offices and to the acoustic lab. The total facility amounts to aproximately 44,000 sqm of which about 21,000 sqm are covered by the facility. It produces acoustic, thermal and interior solutions for commercial vehicles clients Volvo, Scania, Iveco, CNH and Daimler. Desio manufacturing plant is fully concentrated on the truck business and consequently hosts mainly moulding and lamination trim processes. The plant is equipped with 51 conversion presses for thermo set/ thermo plastic moulding and aesthetic lamination & part assembly, 2 water jets, 2 automatic and 1 manual glue spraying stations. The facility is subject to an operating lease which expires on 31 December 2026. It can be terminated with effect from 1 January 2021 subject to notice and the payment of significant penalties from the date of the termination until the time the lease expires.

STS Plastics SAS (France)

St Désirat Plant and Engineering Center

The St Desirat Plant and Engineering Center is located in Zone Industrielle Saint Désirat / Champagne, 07340 Saint Désirat, France. The total facility amounts to approximately 101,000 sqm with about 53,500 sqm of constructions. The plant produces compression / thermo-composites injection moulding, body colour painting, primer painting and bonding. The plant owns industrial equipment of 13 SMC presses, 2 automated paint-line and robotised milling stations. The facility is owned by the STS Group.

Izernore Plant

The Izernore Plant is located in Zone Industrielle La Mode, 180 Route de Bussy, 01580 Izernore, France. The facility is about 42 km from Geneva Airport and 9 km to next railway station (Oyonnax). The total facility amounts to 30,214 sqm ground level (13,220 sqm combined building area). The plant provides the core processes thermoplastic injection and bi-injection, standard injection and injection on fabric pieces + finish, ultrasonic, vibration and infrared wielding as well as an automated assembly line. The plant is producing engine, light-weight and heavy truck parts mainly for customers Volvo, Nissan / Renault and Daimler. The facility is owned by the STS Group.

Blainville Plant

The Blainville Plant is located in Parc Industriel Caen Canal, Rue de l'Europe, 14550 Blainville-sur-Orne, France. The total facility spreads to about 20,500 sqm of which about 8,500 sqm are covered. The plant produces body colour painting, bonding and assembling and sequencing. The plant owns industrial equipment of one automated paint-line. The facility is subject to an operating lease which expires on 31 July 2019.

Précigné Plant

The Précigné Plant is located in Usine De Malpaire, 72300 Précigné, France. The facility is about 40 km from Angers Airport and 9 km to next railway station (Sablé-sur-Sarthe). The total facility amounts to 191,257 sqm at ground level (12,43 sqm production area, 10,671 sqm storage area, 2,712 sqm office area). The plant comprises the core processes of sequential gas injection moulding, ultrasonic and vibration wielding, automated assembly line as well as just-in-time manufacturing. The plant is producing engine, light-weight and heavy truck parts for customers Volvo, Nissan /Renault, GM, Volkswagen Group as well as other customers (e.g. Iveco). This facility is owned by the STS Group.

Félines Plant

The Félines Plant is located in Zone Industrielle Le Flacher, 07340 Félines, France. The total facility amounts to about 24,000 sqm of which about 8,500 sqm are covered by the facility. The plant produces thermoplastic injection. The plant owns industrial equipment of 13 injection presses. This facility is subect to a commercial lease granted to the STS Group which expires on 31 July 2023.

Andance Plant

The Andance Plant is located in Zone Industrielle de la CNR, 07340 Andance, France. The total facility amount to about 16,000 sqm. The plant provides the main activities body colour painting and assembly & sequencing. The plant owns industrial equipment of one manual painting-line and one cutting and bonding tool. This facility is subect to a lease which expires on 27 August 2041.

STS MCR SAS (France)

Tournon Plant Mixt Composites Recyclables SAS

The Tournon Plant Mixt Composites Recyclables SAS is located in Z.A. Les Iles Feray, 07300 Tournon-sur-Rhône, France. The total facility amounts to about 20,000 sqm of which about 5,000 sqm are covered by the facility. The plant owns industrial equipment of 2 SMC calendaring lines ABMC lines and one recycling line. The building is owned by STS Group, but, the land is subject to an operating lease, whichexpired on 31 March 2017. The STS Group has applied for an extension of the lease with the relevant local authorities, which the STS Group believes will be granted in the near to midterm.

STS Acoustics Poland sp. z o.o. (Poland)

Międzyrzecz Plant

The Międzyrzecz Plant is located in ul. Zakaszewskiego 12, 66-300 Międzyrzecz, Poland. The total facility amounts to about 27 ’000 sqm. The plant owns industrial equipment of 3 thermoforming presses, 1 robo, 2 lamination lines, 2 cutting lines and several assembly lines. The main activities of the plant are to produce, assemble and deliver cabin trim parts to commercial vehicle OEMs.This facility is subect to a lease which expires on 31 December 2029.

Inoplast Trucks S.A. de C.V. (in future STS Components Mexico) (Mexico):

Ramos Plant

The Ramos Plant is located in plot number 10, Area (*polígono*) B of the Second Expansion Stage of the Parque Industrial Saltillo-Ramos Arizpe, located in the city of Ciudad Ramos Arizpe, municipality of Ramos Arizme, Cohahuila, Mexico. The total facility spreads to about 22,848 sqm. The plant takes care of the compression moulding and body colour painting. The plant owns industrial equipment of 3 compression moulding machines, 4 drilling stations and one automated paint-line. The plant is mainly producing for liftgate clients and truck clients. The building and the land are owned by STS Group.

STS Plastics Co., Ltd (China)

Jiangyin Plant

The Jiangyin Plant is located in Yuecheng Town, 25903214404 Jiangyin, Jiangsu Province, People's Republic of China. The total facility together with Qingdao Plant amounts to about 35,100 sqm of which about 28,000 sqm are used. The plant owns industrial equipment of 9 SMC presses, 3 RTM presses, 3 robotized milling stations for large RTM parts, one robotized standard milling cells, one manual top coat painting line and 1 sheet mould compound line. This facility is subject to a lease which expires on 10 March 2022.

Qingdao Plant

The Qingdao Plant is located in No7, Shiquan 3rd Road (Jiefang 2nd Road), Longquan Town, Jimo City, 266100 Qingdao, Shandong Province, People's Republic of China. The plant owns industrial equipment of 3 SMC presses, 2 RTM presses and one manual top coat painting line with conveyor. The facility is owned by STS Plastics Co. Ltd..

Minas Têxteis – Fabricação de Peças e Partes Automotivas (renamed into STS Brasil Fabricação de Autopeças LTDA) (Brazil)

Betim Plant

The Betim Plant is located in Rua Engenheiro Gerhard Ett, n° 149, 32669-158 in the City of Betim, State of Minas Gerais in Brazil. The total facility comprises about 19,600 sqm with about 8,700 sqm of building sites. The plant includes a new nonwoven resin felt production line produced by Changshu Feilong Nonwoven Machinery Co., LTD which was pledged to Autoneum Holding AG. The building and the land are owned by STS Group.

13.16 Environmental issues relating to STS Group's production sites

Many of the sites at which the STS Group operates have been used for industrial purposes for many years, leading to risks of contamination and potentially involving remediation obligations, regardless of whether the STS Group is the legal owner or are merely using the respective property, and irrespective of whether the STS Group caused the contamination or acted with fault. Moreover, the STS Group could be held responsible for the remediation of areas adjacent to its sites if these areas were contaminated due to its activities, or if it were to be found the polluter of these areas.

The responsible authorities could assert claims against the STS Group as the polluting party, owner or occupant of the affected plot for the examination or remediation of such oil and/or groundwater contamination or could order it to dispose of or treat contaminated soil excavated in the course of construction; this could impede its operation at the affected site. In particular, Chinese authorities are increasingly monitoring compliance with environmental regulations. Violations against environmental regulations may lead to significant sanctions including the shutdown of respective facilities. The STS Group is in the process of taking appropriate measures to avoid any potential violations, in particular, the STS Group is planning to upgrate its painting lines in Jiangyin and Qingdao (China) to comply with all regulations regarding the emission of volatile organic compound (VOC). Due to the unpredictable nature of how local, state and national Chinese authorities interpret such regulations, the Company could have to make significant payments.

In Italy, the Company is also currently involved in a dispute over potential groundwater contamination at one of the sites previously conducted and sold. While the Company conducted its own review which found no evidence of contamination, there can be no assurance that local, regional or national Italian authorities may hold the Company responsible for potential damages and penalties if it were to assess that contamination occurred at such site. It could also be required to indemnify the owner of plots of land currently or formerly leased by it or of other properties if the authorities were to pursue claims against the relevant owner of the property and if it had caused the contamination. Costs typically incurred in connection with such claims are generally difficult to predict but may be substantial. Moreover, if any contamination were to become a subject of public discussion, there is a risk that its general reputation or its relationship with its customers could be harmed. Even if it has contractually excluded or limited its liability vis-à-vis a customer, it could be held responsible for currently unknown contamination on properties that it previously owned or used. The materialization of any of these risks could have a material adverse effect on its business, financial condition, results of operations, cash flows, and prospects.

In Mexico, under a transition services agreement entered into with a seller, Inoplast was provided, by a local Mexican subsidiary of the seller, with the use of a fire protection system for Inoplast's plant in Ramos Arizpe Coahuila (Mexico) until 30 June 2018 at which time the transition services agreement will end. Since the current service provider decided not to extend the use of its fire protection system by Inoplast Trucks SA de CV beyond 30 June 2018, Inoplast Trucks SA de CV is currently exploring other solutions including the procurement of such services by another third party service provider. If Inoplast were not able to find another service provider or to implement its own fire protection system by 30 June 2018, local authorities in Mexico could impose significant monetary fines and/or the local authorities could order the shutdown of the facility until a proper fire protection system were in place. The imposition of any such penalties or the shutdown of the plant could have a material adverse effect on the Company´s business, financial condition, results of operations, cash flows and prospects.

13.17 Employees

The following tables reflect the number of employees of STS Group as of 31 December 2015, as of 31 December 2016 and as of 31 December 2017, split into main business categories and geographical location:

	As of 31 December		
Main business category	**2015**	**2016**	**2017**
Production	509	675	1662
Logistics	87	138	232
Maintenance	30	42	168
Quality	24	29	94
Methods	10	25	91
Engineering	20	23	76
Finance	10	12	53
HR	7	11	39
Management	7	9	28
Purchasing	6	7	26
IT	6	6	24
Safety & General Services	2	6	21
Sales	5	7	21
No title	6	10	0
Total	729	1,000	2,535

	As of 31 December		
Geographical location	**2015**	**2016**	**2017**
Total Italy	729	694	662
Total France	-	306	1105
Total Brazil	-	-	109
Total China	-	-	424
Total Mexico	-	-	149
Total Poland	-	-	53
Total Germany	-	-	33
Total	729	100	2,535

At the date of the Prospectus, the STS Group employed a total number of 2,535 employees.

In the financial year 2017, the STS Group employed an average number of temporary workers of 473.

Employee participation program

Currently, STS Group does not have an employee participation program.

13.18 Insurance

The Company’s insurance coverage includes, inter alia, property, business and product liability, legal protection, transport, travel and accident insurance.

In addition, there is a directors and officers insurance policy ("**D&O Insurance**") for the members of its Management Board and Supervisory Board with a total coverage of approximately EUR 20 million per year. The D&O Insurance covers financial losses that may arise in the course of the exercise of the corporate duties of the insured persons. As required under applicable German law, each member of its Management Board remains personally responsible, in the event he is adjudged to have personal liability, for 10% of the total amount of such liability, up to an amount that equals one point five times such member's total annual fixed remuneration.

The Company believes, according to its current knowledge, that the existing insurance coverage, including the level and conditions of coverage, meet the customary standard for its industry and provide reasonable protection, taking into account the costs for the insurance coverage and the potential risks of its business operations. The STS Group reviews its insurance coverage on a regular basis and makes adjustments, if necessary. However, it cannot guarantee that losses will not be incurred or that claims will not be filed against it and companies of the Group which exceed the scope of the relevant existing insurance coverage.

13.19 Legal disputes and administrative proceedings

Other than as provided below, STS Group is currently not, and has not been in the past twelve months, involved in any court or arbitration or administrative proceedings which could have a significant impact on its overall financial condition.To the best knowledge of the Management Board, no such proceedings are pending or threatened.

MERLONI S.p A. ./. STS Acoustics S.p.A.

With regard to an insolvency procedure of MERLONI S.p.A the plaintiff requests the return of payments of approximately EUR 100,000.00 made by MERLONI to STS Acoustics S.p.A. before the declaration of insolvency. The first instance of the trial ended with the court rejecting thethe request, but MERLONI S.p.A. appealed this ruling. Such appeal is expected to be decided on during the course of 2018.

MARTA AUTOTRASPORTI ./. STS ACOUSTICS

MARTA AUTOTRASPORTI, a former transport services provider of STS Acoustics S.p.A., is requesting compensation of approximately EUR 156,000.00 after termination of a customerrelationship by STS Acoustics in 2017. The case was discussed in the first instance on 11 January 2018. The Court of Turin rejected the claim in full in the first instance. MARTA AUTOTRASPORTI filed an appeal to the Court of Appeal of Turin based on the same line of argumentation used at the first instance. The first hearing is scheduled for 18 July 2018 and it cannot be excluded that the court will not render a verdict until 2019.

AUTOMOTIVE SYSTEMS and related entities ./. STS Acoustics S.p.A

AUTOMOTIVE SYSTEMS, a former component supplier of STS Acoustics S.p.A, is requesting a court order to STS Acoustics S.p.A to resume the supply relationship that it alleged was arbitrarily interrupted and the payment of approximately EUR 230,000.00 as consideration for services rendered, against which STS Acoustics S.p.A objects that the conduct of AUTOMOTIVE SYSTEMS based on the same line of argumentation it used at the first instance caused damages for extra costs. after termination of the relationship by STS Acoustics S.p.A in 2017. The competent court rejected the first claim of AUTOMOTIVE SYSTEMS regarding the restoration of the supply relationship in full. AUTOMOTIVE SYSTEMS has filed an objection and the discussion hearing is scheduled for 17 May 2018. Furthermore, STS management believes that other issues regarding employment law, social security law and especially insolvency law could arise as AUTOMOTIVE SYSTEMS andits parent company may potentially file insolvency proceedings.

13.20 Material contracts

13.20.1 Business Transfer Agreement between STS Plastics SAS and Mecaplast France SAS dated 15 December 2016

On 15 December 2016 STS Plastics SAS (**"STS Plastics"**), one of the Company's direct subsidiaries, entered into a business transfer agreement with Mecaplast France SAS (a *société par actions simplifiée*) (**"Mecaplast"**) organized under the laws of France with registered office at 361, avenue du Général de Gaulle - 92140 Clamart, registered with the Trade and Companies Registry under number 442 694 436 RCS Nanterre, France, under which STS Plastics purchased from Mecaplast the business of production and assembly of interior, exterior and engine parts such as shelves, storage spaces, front parts, extensions and fender flares for cars, tractors, light weight and heavy trucks exclusively, operated and located in Zone Industrielle "La Mode" – 01580 Izernore and in Usine de Malpaire – Précigné – 72304 Sable Sur Sarthe Cedex. The business is composed of, in particular, *intangible assets* such as the clientele, a patent and/or the rights in all data, etc., *tangible assets* such as all tangible items relating to the clients and suppliers, all books, records, accounts and files related to the business or the transferred employees, all machines, equipment, hardware etc. and the inventory, the *transferred* *agreements* STS Plastics is to assume, transferred employees and real properties. The transfer became effective on 23 December 2016.

13.20.2 Master Share Purchase Agreement Regarding the Sale and Transfer of Shares of several Plastic Omnium Group Companies dated 6 March 2017

On 6 March 2017, STS Group AG entered into a master share purchase agreement with Plastic Omnium Auto Exteriors, Plastic Omnium Composites, Plastic Omnium Composites GmbH, Plastic Omnium Holding (Shanghai) Co. Ltd., Plastic Omnium Auto Exteriors S.A. de C.V. and Plastic Omnium Industrial Auto Exteriores Ramos Arizpe (the "**Sellers**"). Under this agreement the Sellers entered into the obligation to sell and transfer 100% of the shares of the following five target companies to STS Group AG: Inoplast Truck SAS (renamed into: STS Composites France SAS), Mixt Composites Recyclables, STS Composites Germany GmbH, Inoplast Truck, S.A. de C.V. and Plastic Omnium Composites Co. Ltd. (renamed into STS Plastics Co., Ltd.). The STS Group AG agreed to purchase the five target companies on its own behalf and partially as agent on behalf of STS Plastics Holding SAS and STS MCR Holding S.A.S. The transaction was consummated on 30 June 2017 when all conditions precedent were fulfilled. With separate notarial deeds and agreements all dated 30 June 2017 the shares of STS Composites Germany GmbH, Plastic Omnium Composites Co. LTD and Inoplast Truck S.A. de C:V. were transferred to STS Group AG in accordance with the provisions of the master share purchase agreement.

13.20.3 Quota Purchase and Sale Agreement between Autoneum Holding AG and STS Group AG dated 21 June 2017

On 21 June 2017, the STS Group AG entered into a Quota Purchase and Sale Agreement with Autoneum Holding AG, a company incorporated under the laws of Switzerland having its business address at Schlosstalstraße 43, Winterthur, Postfach 8406, Switzerland (**"Autoneum"**), under which STS Group AG purchased the totality of quotas of Minas Têxteis – Fabricação de Peças e Partes Automotivas Ltda. (to be renamed into STS Brasil Fabricação de Autopeças LTDA), a limited liability company duly organized under and existing under the Laws of Brazil, with head offices at Rua Engenheiro Gerhard Ett, 149, Distrito Industrial Paulo Camilo, in the City of Betim, State of Minas Gerais, Brazil. For the purposes of this transaction the STS Group AG designated STS Brazil Holding GmbH as a direct subsidiary to be the Brazilian acquisition vehicle. The transaction was consummated on 30 September 2017 (**"Closing Date"**). The payment of the purchase price is guaranteed by an industrial pledge of first degree over certain production machinery and equipment of STS Brasil. The amount of any of the instalments bears interest from and including the Closing Date, but excluding, the date of payment at a rata per annum equal to 10% calculated pro rata die during the period from the Closing Date to the date of such payment. Any late payment bears additional default interest from the first day immediately following the due dates to, but excluding, the date of payment at a rate per annum equal to 20% of the relevant outstanding amount calculated pro rata die.

14. Regulatory Environment

The STS Group is subject to legal requirements on product safety and liability, occupational health and safety, export control regulations and specific regulations relevant for the industry sectors the STS Group is involved in, particularly the automotive sector. In addition, the regulatory framework within which the STS Group conducts its business activities includes, inter alia, regulations on environmental and building permits, waste management, soil and groundwater contamination, water use and protection and handling, storage and transport of chemicals and hazardous substances, emissions as well as environmental liability. The application of the various regulations depends on the specific facilities, installations and activities at the business locations and the type and use of the products manufactured.

The STS Group operates in a heavily regulated environment. Environmental and regulatory laws and regulations applicable to the STS Group and the STS Group's products are subject to permanent legislative changes. They are continuously being adapted, at international and national levels, following the steady technological development and the increased need for safety and the environmental consciousness of the population. The regulations applicable may have distinctive characteristics, in the EU for instance, due to leeway with regard to the implementation of EU directives, which have no immediate applicability, into each EU member state's legal system or within areas of law that have not yet been harmonized fully or in parts at the EU level. In addition, the STS Group has to comply with regulations at the STS Group's non-EU production sites and customer markets.

In the following, the most important laws and regulations (with a focus on Germany and the EU) that are key factors for the STS Group in the manufacturing of the STS Group's specialized products are summarized. In addition, the STS Group has to comply with Chinese and certain non-EU regulations (including the United States) due to its production sites and/or customer markets in such jurisdictions.

14.1 Permits for the construction and operation of industrial facilities

For the construction, operation and alteration of industrial facilities, such as production plants, the STS Group generally needs emission control (environmental) permits or, alternatively, building permits and permits under water laws. In the application process for such permits, the competent authority assesses whether the specific facility the permit has been applied for will be in compliance with applicable provisions of environmental and regulatory law, in particular, with regard to emissions, planning law and building regulations, waste disposal, nature protection, occupational health and safety and, in the case of permits under water law, use and disposal of water. As a general rule, the permits cover most environmental, construction and regulatory requirements that have to be met (e.g. with respect to emissions and occupational health and safety).

The following paragraphs provide an overview of the material permits and permit requirements for the production of the STS Group.

14.1.1 Building permits

Under German law, all buildings and installations must have building permits under public building and construction laws. The building permit is already included (so-called "concentration effect") in an environmental permit for a facility. In the event that no environmental permit is required, a separate building permit is necessary. Building permits have, as compared to environmental permits, a reduced scope of review, do not include permits required under other laws, and do not provide for public participation. Typically, building permits contain incidental conditions relating to the impacts on the neighborhood such as maximum noise levels, odor or air emissions levels, operational hours, parking spaces, fire protection and monitoring duties. They must be issued in compliance with or on the basis of expressed exemptions from the stipulations in the relevant zoning plan covering the facility. Zoning plans establish restrictions for certain uses, types of building, etc. Where building permits have been duly issued, they constitute grandfathering rights, which means that subsequent changes of the law do, in principle, not affect the existing buildings and use of these buildings. If substantial changes are made to the buildings and their use, however, grandfathering rights can cease to apply. Also, grandfathering rights do not apply in case the existing buildings/use does not comply with the building permits or if the existing buildings/use constitute immediate dangers for human health and safety. Non-compliance with the requirements set out in specific permits and their ancillary conditions may trigger administrative orders (provision of information, monitoring and measuring, submitting samples, restoring, complementing, and changing processes) and administrative fines. The responsible individuals may also be subject to criminal prosecution. Furthermore, in a worst case scenario, the competent authority may order a (partial) destruction of the building or prohibit its use and, under certain circumstances, revoke the permit. Also, competent authorities may impose restrictions in subsequent orders even after the initial permit can no longer be challenged, within the limits of the proportionality principle.

14.1.2 Environmental permits

Environmental permits are typically subject to numerous and substantial incidental conditions regulating and balancing other public and private interests such as the protection of neighbors against harmful noise, air or odor emissions and safeguarding of nearby protected areas and species, as well as conditions relating to waste management, and occupational health and safety. In order to ensure that the operations are maintained in the state of the art manner, competent authorities may impose operational restrictions in subsequent orders even after the initial permit can no longer be challenged, within the limits of the proportionality principle.

Some application procedures include public participation (e.g., the application procedure for an emission control permit may include a public participation not limited to specific stakeholders). As a result of the involvement of the public, objections may be raised and thereby complicate and delay procedures. Moreover, permits may be subject to legal proceedings initiated by third parties, namely neighbors and environmental non-governmental organizations whose participation rights have been expanded by the EU public participation directive (Directive (EC) 2003/35, as last amended by Directive (EC) 2016/2284 of 14 December 2016) and its interpretation by the European Court of Justice.

Non-compliance with the requirements set out in specific permits and their ancillary conditions may trigger administrative orders (provision of information, monitoring and measuring, submitting samples, restoring, complementing, and changing processes) and administrative fines. The responsible individuals may also be subject to criminal prosecution. Furthermore, in a worst case scenario, the competent authority may order a (partial) shutdown of the facility and, under certain circumstances, revoke the permit.

14.1.3 Water law permits

The extraction and use of surface or ground water as well as the discharge of water (rain water, process (waste) water) into a river or into the municipal sewage system require specific permits under German water laws. The discharge of water polluted with hazardous substances (such as oils, greases, organic solvents) is typically prohibited or maximum thresholds for such substances are imposed in addition to monitoring and reporting obligations. Permits under the water laws are typically limited in time and the relevant authority can, subject to the exercise of its lawful discretion, issue additional conditions or withdraw the permit, even after the permit has become final and absolute.

14.1.4 Volatile Organic Compunds (VOC)

The STS Group's production involves surface treatment inter alia of metals using organic substances or other forms of processing resins which (due to their possible significant impacts on the environment) are in particular subject to EU-wide requirements. These were implemented in Germany in the Federal Emissions Control Act (*Bundesimmissionsschutzgesetz*) in connection with the Ordinance on Emissions Restrictions form Volatile Organic Compounds used in organic solvents (31^{st} BImSchV).

14.1.5 Prevention of major accidents (Seveso requirements)

Directive 2012/18/EU of the European Parliament and of the council of 4 July 2012 was adopted to prevent major accidents involving dangerous substances, limit their consequences for human health and the environment and to reduce the hazards to human beings and the environment caused by dangerous chemicals ("**Seveso requirements**"). The STS Group's manufacturing sites are subject to Seveso requirements because of the types and quantities of the dangerous substances processed and stored which does not only trigger organizational, management and information obligations but also may result in building and use restrictions for the STS Group or its neighbors.

In Germany, the Seveso requirements were implemented into German law with the enactment of the Ordinance on Major Accidents and Incidents (Störfallverordnung or 12^{th} BImSchV) which regulates the set-up of specific plans, procedures and precautions for the production and storage of certain hazardous substances and applies to installations presenting a risk of accidents involving dangerous substances. As a result, a major accident prevention policy, safety reporting systems and management systems as well as emergency plans must be set up by companies depending on the type and quantities of dangerous substances stored and handled. In addition to these general duties, the operator must provide a safety report to be accepted by the competent authority, set up internal emergency plans and comply with extended information obligations.

14.2 Regulations regarding the production processes

14.2.1 REACH and CLP (Chemical Regulations)

REACH is the Regulation for Registration, Evaluation, Authorization and Restriction of Chemicals (Regulation (EC) No 1907/2006 of 18 December 2006, as last amended by Regulation (EU) No 2018/35 of 10 January 2018). Its main objectives include improving the protection of human health and the environment from the risks that can be posed by chemicals and ensuring the free circulation of substances in the internal market of the EU. REACH establishes three separate complimentary procedures consisting of the registration, evaluation and authorization of chemical substances and mixtures. To a limited extent the STS Group uses chemical substances and chemical mixtures as part of the STS Group’s production processes. As a consequence, the STS Group is subject to REACH as an importer or downstream user.

As a rule, REACH applies to all chemical substances. In principle, all manufacturers and importers of chemicals must identify and manage risks linked to the substance they manufacture and market. For substances produced or imported in quantities of one ton or more per year per company, manufacturers and importers need to demonstrate that they have appropriately done so by means of a registration dossier, which shall be submitted to the European Chemicals Agency ("**ECHA**"). ECHA will check that the dossier is compliant with REACH and will evaluate testing proposals to ensure that the assessment of the chemical substances will not result in unnecessary testing, especially on animals. Where appropriate, authorities may also select substances for a broader substance evaluation to further investigate substances of concern.

REACH also provides for an authorization system aiming to ensure that substances of very high concern are adequately controlled and progressively substituted by safer substances or technologies or only used where society benefits overall from using the substance. These substances are prioritized and gradually included in Annex XIV to REACH. Once they are included, the industry has to submit applications to ECHA on authorization for continued use of these substances which are otherwise prohibited. In addition, EU authorities can impose restrictions on the manufacture, use or placing on the market of substances which cause an unacceptable risk to human health or the environment.

Manufacturers and importers must provide their downstream users with the risk information they need to be able to use the substances safely. This is done via the classification and labelling system and Safety Data Sheets as needed.

The REACH Regulation is accompanied by the Regulation (EC) No. 1272/2008 of 16 December 2008 on classification, labeling and packaging of substances and mixtures (“**CLP Regulation**”), as amended by Regulation (EU) No. 2017/776 of 4 May 2017, including comprehensive implementing legislation.

The CLP Regulation seeks to, inter alia, ensure that EU workers and consumers are clearly informed of the hazards associated with chemicals by means of a system of classification, labeling and packaging. The aim is to ensure that the same hazards are described and labeled in the same way in all EU countries. The CLP Regulation provides uniform requirements for the classification, labeling and packaging of chemical substances and mixtures according to the United Nations’ Globally Harmonized System of classification and labeling of chemicals. It requires companies falling under the scope of the CLP Regulation to classify label and package appropriately their hazardous chemicals before placing them on the market.

14.2.2 Water use and waste water treatment

The STS Group is subject to EU regulations on water use and protection (implemented by the applicable national laws) as during the course of the production processes water is used and disposed of. Directive 2000/60/EC of 23 October 2000 as last amended by Directive 2014/101/EU of 30 October 2014 (**"Water Framework Directive"**), includes a comprehensive approach to water protection. Groundwater is protected by both the Water Framework Directive and its subsidiary related Directive 2006/118/EC of 12 December 2006 (**"Groundwater Subsidiary Directive"**) as last amended by Directive 2014/80/EU of 20 June 2014 which lays down detailed quality criteria for the assessment of the groundwater's chemical status, including standards set at the EU level and requirements for threshold values to be set at the member state level. The Groundwater Subsidiary Directive requires member states to establish measures to prevent the input of hazardous substances into the groundwater and limit the introduction of other pollutants. The Water Framework Directive was implemented into German law by the Water Management Act (*Wasserhaushaltsgesetz*), setting the framework for sustainable water management. The requirements of the Water Management Act are set forth in several ordinances. The Ordinance on Installations for the Handling of Substances Hazardous to Water (*Verordnung über Anlagen zum Umgang mit wassergefährdenden Stoffen*) stipulates technical and organizational requirements handling hazardous substances at installations. The requirements of the Groundwater Subsidiary Directive were implemented into German law by the Groundwater Ordinance (*Grundwasserverordnung*). The Groundwater Ordinance sets criteria for the assessment and monitoring of the status of the ground water and requires the authorities to establish programs of measures to limit the contamination of groundwater by pollutants.

Discharge of waste water and its treatment is regulated by Directive 91/271/EEC of 21 May 1991 concerning urban waste water treatment, as last amended by Council Directive 2013/64/EU of 17 December 2013. This directive addresses the collection, treatment and discharge of urban waste water and the treatment and the discharge of waste water from certain industrial sectors. Its aim is to protect the environment from any adverse effects caused by the discharge of such waters. As urban waste water treatment falls within the competence of the German federal states (*Länder*), the requirements of Council Directive 91/271/EEC are implemented at the federal state level through ordinances (*Kommunalabwasserverordnungen*).

14.2.3 Waste management

Waste resulting from the STS Groups production processes is subject to Directive 2008/98/EC of 19 November 2008, amended by Regulation (EU) 2017/997 of 18 June 2014 and by Directive 2015/1127 of 10 July 2015 ("Waste Framework Directive"), redefined the rules applicable to the treatment of waste within the European Union, especially concerning the disposal of waste resulting from production processes. The Waste Framework Directive applies to all objects or substances discarded by the user, or which the user plans or is required to discard.

The Waste Framework Directive establishes a hierarchy of different waste management methods and requires Member States to take specific measures for treating their waste (prevention, re-use, recycling). It was implemented into German law by the Law on Closed Cycle Management (*Kreislaufwirtschaftsgesetz*).

14.2.4 Soil and groundwater contamination

Under German law, the current owner, the operator, and – under certain preconditions – the former owner of a site are jointly and severally liable for existing, threatened or suspected soil and groundwater contamination. In exceptional cases, piercing of the corporate veil is possible, i.e. the parent company may be held liable if the owning or operating company belonging to the same affiliated group was intentionally undercapitalized in order to avoid liability under the soil protection laws. The authority may, at its lawful discretion, impose measures and costs on one of the potentially liable parties regardless of possible agreements on liability under civil law. Such measures may consist of investigations, containment or clean-up actions. In order to determine the need for investigations or clean-up measures, reference is made to limit (trigger) values set for specific contaminants. The party held liable may claim, under civil law, contribution or compensation from other polluters.

14.2.5 Occupational health and safety requirements

The STS Group is subject to EU regulations on occupational health and safety, in particular Directive 89/391/EEC of 12 June 1989 as last amended by Regulation 1137/2008/EU of 22 October 2014 and Directive 91/383/EEC of 25 June 1991 as last amended by Directive 2007/30/EC of 20 June 2007, which require employers to provide for their employees' safety. The applicable occupational safety regulatory regime also includes Directive 89/655/EEC of the European Parliament and of the Council of 30 November 1989 as last amended by Directive 2009/104/EC of 16 September 2009, Directive 89/654/EEC of 30 November 1989 as last amended by Directive 2007/30/EC of 20 June 2007, Directive

92/58 EEC of 24 June 1992 as last amended by Directive 2014/27/EU of 26 February 2014 and Annex IV of Directive 92/57/EEC of 24 June 1992 as last amended by Directive 2007/30/EC of 20 June 2007. These directives were transposed into German law by the German Act on Occupational Protection (*Arbeitsschutzgesetz*) and in the German Act on Occupational Safety (*Arbeitssicherheitsgesetz),* which require employers to provide for their employees` safety. These general obligations are substantiated in several ordinances under the respective laws, which are further detailed in technical guidelines. The applicable occupational safety regulatory regime also includes the German Ordinance on Facility Safety (*Betriebssicherheitsverordnung*), the German Ordinance on Requirements for Workplaces (*Arbeitsstättenverordnung*) and a number of technical guidelines enacted under these ordinances.

14.3 Regulations regarding products and end-uses of products

14.3.1 Regulations on safety and technical standards for automotive products

Regulatory requirements and technical standards regarding automotive products and road safety (for example, on emissions from vehicles including noise emissions, carbon dioxide emissions) do not apply directly to the STS Group or its products, but to (some of) its customers in the automotive industry. In order to be competitive, the STS Group must assist its customers in meeting the regulatory requirements and technical standards by continuously adapting its products. For example, for the purpose of passenger safety, vehicle components and technical units have to comply with various requirements set forth in a large number of legal acts on the EU level. For instance, Directive 2007/46/EC of 5 September 2007 (as amended by Regulation (EU) 2017/2400 of 12 December 2017) established a framework for the approval of motor vehicles and of systems, components and separate technical units intended for such vehicles, which member states were required to implement into national law. Directive 2007/46/EC was implemented into German law by the EC-Vehicle Approval Ordinance (*EG-Fahrzeuggenehmigungsverordnung*). The directive lists several separate legal requirements for the purpose of EU type-approval of different models of vehicles. A further example is Regulation No 661/2009/EC of 13 July 2009 (as amended by Regulation No 2016/1004/EU of 22 June 2016), establishing requirements for the type-approval of motor vehicles including systems, components and separate technical units with regard to safety. As part of "CARS 2020," an action plan of the European Commission for a competitive and sustainable automotive industry in Europe of 8 November 2012 (COM (2012) 636 final), the European Commission carried out an extensive in-depth evaluation of the legal framework for vehicle type approval published on 12 November 2013 (SWD(2013) 466 final). On 27 January 2016, the European Commission published on the basis of these findings a proposal for a Regulation of the European Parliament and of the Council on the approval and market surveillance of motor vehicles and their trailers and of systems, components and separate technical units intended for such vehicles (COM (2016) 31 final) to repeal and replace Directive 2007/46/EC. The legislative proposal contains stricter provisions on market surveillance of automotive products with the aim to make vehicle testing more independent and increase surveillance also of cars already in circulation.

14.3.2 End of life vehicles

In order to reduce the impact of motor vehicles which have reached the end of their useful life on the environment, guarantee the optimal recycling of materials, and improve energy conservation, ELV Directive 2000/53/EC of 18 September 2000, which was amended by Directive (EU) 2017/2096 of 15 November 2017, outlines the way in which new vehicles must be designed so that the waste they produce is correctly collected and processed. This was transposed into German law by the Ordinance on end-of-life vehicles (*Altfahrzeugeverordnung*). The directive aims to limit the increase in the volume of automotive waste by involving the entire automotive production chain in its processing. The scope of the directive includes passenger vehicles (M1) and light utility vehicles (N1). The STS Group's business is indirectly impacted by these regulations, now that the parts that it produces and sells to manufacturers must be easy to dismantle and recycle.

14.3.3 Regulations regarding e-mobility

The STS Group aims at producing for the e-mobility sector in the future. The e-mobility sector benefits from EU regulation aimed at encouraging the purchase of electrified vehicles.

Directive 2014/94/EU of 22 October 2014 on the deployment of alternative fuels infrastructure sets out minimum requirements for the building-up of alternative fuels infrastructure, including recharging points for Electric Vehicles and refuelling points for natural gas and hydrogen as well as common technical specifications for such recharging and refuelling points. Germany has implemented this directive by an Ordinance on Charging Stations (*Ladesäulenverordnung*) which entered into force on 17 March 2016.

The Federal Law on Tax Incentives for Electric Mobility in Road Transport (*Gesetz zur steuerlichen Förderung von Elektromobilität im Straßenverkehr*) entered into force on 17 November 2016. It extends the vehicle tax exemption for electric vehicles registered for the first time, retroactively from 1 January 2016 onwards, from currently five to ten years. The tax exemption is also extended to approved conversions of fossil-fuel vehicles to electric vehicles. Also exemptions for income tax are foreseen for employees with respect to the advantages arising from the use of recharging facilities for electric vehicles and hybrid electric vehicles supplied by the employer. On the basis of the German Government Program on Electric Mobility of 2011, incentives for the purchase of new electric vehicles were set including a buyer’s premium financed by the Federal Government and the manufacturers.

14.3.4 Product safety

The STS Group is subject to Directive 2001/95/EC of 3 December 2001, as amended by Regulation No 596/2009/EC of 18 June 2009, on general product safety which applies to products that are not covered by specific sector legislation (e.g., toys, chemicals, cosmetics, machinery), and also complements the provisions of sector legislation which do not cover certain matters, for instance, in relation to the obligations of producers. The Directive, which was transposed into German law by the Product Safety Law (*Produktsicherheitsgesetz*), provides a general definition of a safe product, i.e., a product which, under normal or reasonably foreseeable conditions of use, does not present any risk or only the minimum risks compatible with the product's use. Products which are placed on the market and/or used are required to comply with this definition. If there are no specific national rules, the safety of a product is assessed in accordance with European standards, community technical specifications, codes of good practice, and state of the art products and the expectations of consumers. In addition to the basic requirement to place only safe products in the market, producers must inform consumers of the risks associated with the products they supply. They must take appropriate measures to prevent such risks and be able to trace dangerous products.

EU legislation and technical standards on specific products include the Directive 2006/42/EC (**"Machinery Directive"**) as amended by Directive 2014/33/EU of 26 February 2014. Compliance with the requirements of the Machinery Directive enables free movement within the EU of machinery that is placed on the EU market for the first time. Since machines usually contain electrical components or functions, Directive 2014/35/EU of 26 February 2014 (**"Low Voltage Directive"**) and the Directive 2014/30/EU of 26 February 2014 relating to electromagnetic compatibility (**"EMC Directive"**) may also be applicable. All of these directives establish essential (mandatory) health and safety requirements for the product and production process (occupational health and safety). Detailed technical specifications for fulfilling these requirements are given in (voluntary) European harmonized standards. If a manufacturer applies the specifications of such a harmonized standard, this entails the presumption of conformity of the product with the essential health and safety requirements. The manufacturer then issues a declaration of conformity and affixes the CE mark on their products. By CE marking, the manufacturer (self-)declares that its products comply with all applicable EU Directives. These Directives require transposition in national laws of the EU member states, but may apply directly in case the transposition does not occur by the set date. Both the regulatory requirements and the harmonized standards are subject to permanent revision and improvement so that manufacturers have to continuously check and adapt their products, processes and documentation. The abovementioned directives have been transposed into German law by specific ordinances (*Produktsicherheitsverordnungen*).

14.3.5 Product liability

EU Directive 85/374/EEC of 25 July 1985, as amended by Directive 1999/34/EC of 10 May 1999, on product liability claims (**"Product Liability Directive"**), applies to all movable things (with the exception of primary agricultural products and game) whether or not incorporated into another movable thing (such as a car) or into an immovable. The Product Liability Directive establishes the principle of objective liability, i.e., liability without fault of the producer, in cases of damage caused by a defective product. “Producer” means the manufacturer of a finished product, the producer of any raw material or the manufacturer of a component part or any person who, by putting their name, trade mark or other distinguishing feature on the product presents themselves as the product’s producer. Where the producer of the product cannot be identified, each supplier of the product is treated as its producer unless they inform the injured person of the identity of the producer or of the person who supplied them with the product. “Defectiveness” means lack of the safety which a person is entitled to expect given, among other things the presentation of the product and the use to which it could be reasonably be put. The Product Liability Directive applies to damage caused by death or by personal injuries and damage to an item of property, other than the defective product itself, intended for private use or consumption, with a lower threshold of EUR 500. The Product Liability Directive does not stipulate any financial ceiling on the producer's liability and allows the member states to derogate from the principle of unlimited liability only if the limit established under national law is sufficiently high to guarantee adequate protection of the consumer. For example, in Germany, the Product Liability Act (*Produkthaftungsgesetz*) stipulates a limit of EUR 85 million. In addition, the Product Liability Directive does not prevent the legal systems of the member states from granting additional or more far-reaching rights to injured parties based on grounds of contractual or non-contractual liability.

14.4 Export control regulations

German national control regulations included in the Foreign Trade Law (*Außenwirtschaftsgesetz*) and Foreign Trade Ordinance (*Außenwirtschaftsverordnung*) may require notifications of or permits for exports and imports, but may also limit or prohibit the export of products if specific countries, entities or individuals are the destination or recipient of such exports. On the EU-level, such restrictions are set out in specific regulations on sanctioned countries or individuals.

15. General Information about the Company and the Group

15.1 General information

15.1.1 Company name, registered office and commercial register data

The legal name of the Company is STS Group AG. The commercial name is "STS Group" or "STS".

The Company's registered office is Hallbergmoos, district Freising, Germany.

The Company is currently registered with the commercial register (*Handelsregister*) kept at the local court (*Amtsgericht*) of Munich under HRB 231926.

15.1.2 Foundation

The Company was formed as a holding company under the legal name "mutares Holding-17 AG", in the form of a stock corporation (*Aktiengesellschaft*) under German law pursuant to an incorporation deed dated 14 November 2012 (Notary Dr. Harmut Wicke, Munich, role of deed no. W 2761/12). The Company was originally incorporated and registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Stendal under HRB 19056. With shareholders' resolution dated 23 February 2017 the Company's legal name was changed into STS Group AG and the registered office was transferred from Weißenfels to Hallbergmoos. These changes have been registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich under HRB 231926 on 9 March 2017.

15.1.3 Duration, financial year and corporate object

The Company has been established for an indefinite period of time.

The Company's financial year is the calendar year.

The object of the Company is (i) the acquisition, holding and administration of participations in entities in the automotive and automotive supply industry including the provision of management services for its group entities and (ii) the acquisition, holding and utilization of real properties. The company may establish branches at home and abroad and is entitled to undertake all acts and measures that appear suitable to serve the object of the company

15.1.4 Legal form, relevant legal system, address

The Company is a stock corporation (*Aktiengesellschaft*) which has been incorporated in Germany and is subject to the laws of Germany.

The Company's business address is Zeppelinstr. 4, 85399 Hallbergmoos, district Freising, Germany. The Company can be reached via phone at +49 9811124494.

15.1.5 Publications

According to section A III. of the Company's Articles of Association the Company's notifications are published in the German Federal Gazette (*Bundesanzeiger*).

15.2 Auditors

15.2.1 Auditors

The annual financial statements of STS Group AG according to HGB for the financial year as of 31 December 2015, the consolidated annual financial statements of STS Group AG according to IFRS for the financial years as of 31 December 2016 and 31 December 2017 as well as the annual financial statements of STS Group AG according to HGB as of 31 December 2017 were each audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Munich, Germany.

PwC is a member of the Auditors' Chamber of Berlin.

15.2.2 Change of the auditor

There has been no change of the auditor so far.

15.3 Corporate history

The most important events in the history of STS Group are summarized below:

Date	Corporate event
February 2013	Incorporation under the company name "mutares Holding-17 AG".
July 2013	Expansion of STS Group into Italy by acquisition of today's STS Acoustics SpA (3 production plants).
July 2014	Acquisition of STS Real Estate Srl (1 property in Italy).
July 2015	Expansion of STS Group into Poland by incorporation of STS Acoustics Poland Sp. z o.o (1 production plant).
December 2016	Expansion of STS Group into France by acquisition of Mecaplast's truck supply business through STS Group AG's wholly-owned direct French subsidiary STS Plastics SAS (2 production plants).
February 2017	Relocation from Weißenfels to Hallbergmoos and renaming from mutares Holding-17 AG into STS Group AG, change from financial holding into operational holding and management services provider for entities of growing STS Group.
June 2017	Major expansion of STS Group into China and Mexico as well as into France and Germany by acquisition of today´s STS Plastics Co., Ltd. (China, 2 operational plants), Inoplast Trucks SA de C.V. (Mexico, 1 operational plant), STS Composites France SAS (France, 4 production plants), MCR S.A.S. (France, 1 operational plant) and STS Composites Germany GmbH (Germany, 1 operational plant).
September 2017	Expansion of STS Group into Brazil by acquisition of Minas Têxteis – Fabricação de Peças e Partes Automotivas Ltda., 1 production plant).

15.4 Corporate Governance

The German Government Commission of the German Corporate Governance Code (Regierungskommission Deutscher Corporate Governance Kodex) established by the German Federal Ministry of Justice (Bundesjustizministerium) in September 2001, approved by the German Corporate Governance Code (*Deutscher Corporate Governance Kodex*) (the **"Code"**) and recently adopted various amendments to the Code on 7 February 2017. The Code includes statutory regulations for the management and supervision of German listed companies and contains, in the form of recommendations and suggestions, internationally and nationally acknowledged standards for good and responsible corporate governance relating to shareholders and shareholders' meetings, management and supervisory boards, transparency, accounting and the auditing of financial statements. While the recommendations or suggestions of the Code are not mandatory, the German Stock Corporation Act (*Aktiengesetz*) requires the management and supervisory boards of a listed company to disclose each year which recommendations were and will be followed and which recommendations were not or will not be followed. This disclosure must be made permanently accessible to shareholders. However, deviations from the suggestions contained in the Code need not be disclosed.

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As of the date of this prospectus the Company is under no obligation to issue a declaration relating to the Code, accordingly the Company's Management Board and the Supervisory Board have not made a declaration pursuant to Section 161 of the German Stock Corporation Act (*Aktiengesetz*).

However, the Company will fully comply with its obligation arising from a stock exchange listing to make a corresponding declaration pursuant to Section 161 of the German Stock Corporation Act (*Aktiengesetz*) in the course of the financial year, to publish this declaration and to make it permanently accessible to shareholders. The Company's Management Board and the Supervisory Board identify with the objectives of the Code to foster a responsible and transparent corporate management style and control directed toward achieving a sustained increase in shareholder value. The Company therefore intends to declare in its disclosure pursuant to Section 161 of the German Stock Corporation Act (*Aktiengesetz*) that it will comply with the recommendations of the Code with the following exceptions:

- Section 3.8 para. 3 of the Code:

  The Code recommends that the D&O policy covering the members of a supervisory board shall provide for a deductible of at least 10% of the loss, up to at least the amount of one and a half times the fixed annual remuneration of the respective member of the supervisory board. The Company's D&O insurance does not provide for this kind of deductible with respect to the members of the Supervisory Board. The Company believes that a deductible is not suitable to influence motivation and responsibility of the members of the Supervisory Board. In addition, the deductible would not be appropriate given the lack of variable remuneration for the members of the Supervisory Board and the corresponding lack of participation in any upside of the Company's shareholder value.

- Section 4.1.3 sentences 2 and 3 of the Code:

  The Code recommends that the Management Board shall institute appropriate measures reflecting the company's risk situation (Compliance Management System) and disclose the main features of those measures. Employees shall be given the opportunity to report, in a protected manner, suspected breaches of the law within the company; third parties should also be given this opportunity. The Company has neither a Compliance Management System nor a system with which employees and third parties can provide appropriate protected information on suspected breaches of the law within the Company. The Company is of the opinion that both recommendations are extremely relevant and correct, which is why appropriate capacities for implementation are to be created and measures prepared during the course of the year.

- Section 4.2.3 para. 4 and 5 of the Code:

  The Code recommends that, when contracts are entered into with members of the management board, it shall be ensured that payments, including fringe benefits, made to a member of the management board due to early termination of their contract do not exceed twice the annual remuneration (Severance Cap) and do not constitute remuneration for more than the remaining term of the employment contract. A Severance Cap will be ensured when new contracts with members of the management board are concluded. However, this does not apply to existing contracts and the renewal of contracts for which no Severance Cap was provided. In this respect, protection for these contracts is granted.

- Sections 5.3.1 and 5.3.3 of the Code:

  The Code recommends that, depending on the specific circumstances of the company and the number of members of the supervisory Board, the supervisory board shall form committees of members with relevant specialist expertise. As the Company's Supervisory Board consists of only three persons in accordance with the Articles of Association, no committees are formed.

- Section 5.4.1 para. 2 of the Code:

  The Code recommends that the supervisory board shall determine concrete objectives regarding its composition, and shall prepare a profile of skills and expertise for the entire Board. Within the company-specific situation the composition of the supervisory board shall reflect appropriately the international activities of the company, potential conflicts of interest, the number of independent members of the supervisory board within the meaning of Section 5.4.2, an age limit and a regular limit to supervisory board members' term of office, both to be specified, as well as diversity. The Supervisory Board has not passed a resolution specifying concrete objectives regarding its composition. While the Company believes that the current composition of the Supervisory Board complies with the criteria listed in Section 5.4.1 para. 2 of the Code, any proposals for board appointments at the Company are always submitted with a view towards selecting candidates with the highest qualification and personal experience complementing the overall composition of the board. Therefore, the Company is of the opinion that any fixed objectives regarding its composition are unsuitable for the purpose of electing an efficient and qualified Supervisory Board.

- Section 5.4.6 para. 1 sentence 2 of the Code:

  The Code recommends that the status as chair or deputy chair of the supervisory board, as well as chair or membership of a committee, shall be taken into consideration when the remuneration of Supervisory Board members is specified by resolution of the general meeting or in the articles of association. Although the remuneration of the members of the Supervisory Board currently takes into account the chairmanship and deputy chairmanship of the Supervisory Board and the chairmanship of committees, it does not take into account the sole membership of committees. In view of the size of the Supervisory Board of three members, the Company does not consider this necessary.

- Section 7.1.2 sentence 3 of the Code:

  The Code recommends that the consolidated financial statements and the group management report shall be made publicly accessible within 90 days from the end of the financial year, while mandatory interim financial information shall be made publicly accessible within 45 days from the end of the reporting period. In accordance with the legal requirements for the publication of the consolidated financial statements within the first four months of the financial year, the Company complies with the legal requirements and will publish the declaration on the Code together with the consolidated financial statements.

15.5 Group Structure

STS Group AG is the direct shareholder of:

- 100% of the shares in STS Plastics SAS with its registered office in Paris, France (operating company, 2 plants);

- 100% of the shares in STS Plastics Holding SAS with its registered office in Saint Désirat, France, acting as a holding company with its direct subsidiary:

  - 100% of the shares in STS Composites France SAS with its registered office in Lyon, France (operating company, 4 plants)

  - One share in Inoplast Trucks SA de CV with its registered office in Ramos, Mexico (operating Company, 1 plant)

- All but one of the shares in Inoplast Trucks S.A. de C.V. with its registered office in Ramos, Mexico (operating company, 1 plant);

- 100% of the shares in STS Composites Germany GmbH with its registered office in Kandel, Germany (operating Company, 1 plant);

- 100% of the shares in STS Plastics Co. Ltd. with its registered office in Jiangyin, China (operating company, 2 plants);

- 100% of the shares in STS MCR Holding S.A.S. with its registered office in Tournon-sur-Rhône, France, acting as a holding company with its direct subsidiary:

  - MCR S.A.S. with its registered office in Lyon, France (operating company, 1 plant);

- 100% of the shares in STS Acoustics SpA with its registered office in Turin, Italy (operating company, 3 plants), with its subsidiaries:

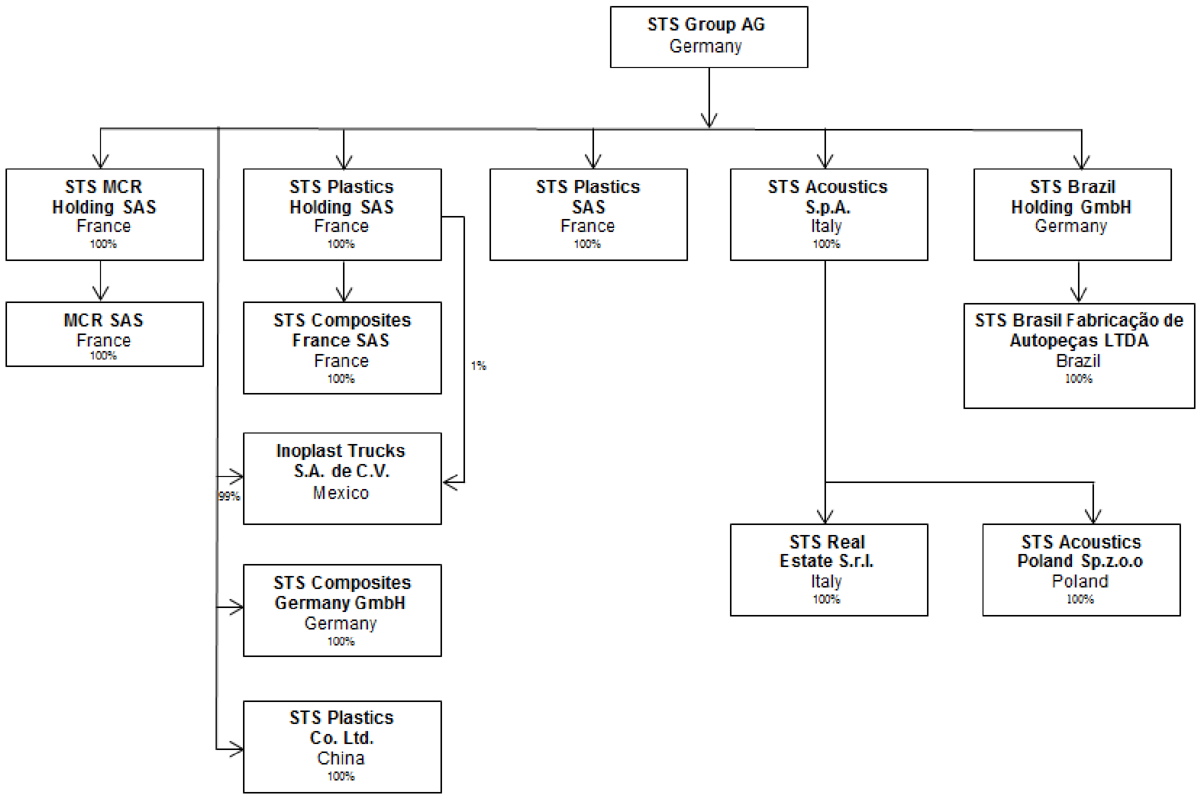
  - STS Acoustics Poland Sp. z o.o with its registered office in Miedzyrzecz, Poland (operating company, 1 plant) and
  - STS Real Estate Srl with its registered office in Turin, Italy (1 property in Italy);

- 100% of the shares in STS Brazil Holding GmbH with its registered office in Hallbergmoos, Germany, acting as a holding company with its direct subsidiary:

  - Minas Têxteis – Fabricação de Peças e Partes Automotivas Ltda., operating company, 1 plant.

The STS Group AG is the strategic management company of the STS Group. It performs the central management function and provides shared services to the group such as Accounting and Controlling, Human Resources, Strategic, Public Relations, IT and Security as well as continuous improvement of process services, purchasing assistance services, sales services, interim management services etc. The STS Group AG and its direct subsidiaries STS Plastics Holding SAS, STS MCR Holding S.A.S. and STS Brazil Holding GmbH focus on the management and financing of its direct and indirect subsidiaries. The Company's direct and indirect subsidiaries STS Plastics SAS, STS Composites France SAS, STS Composites Germany GmbH, Inoplast Trucks, S.A. de C.V., STS Plastics Co., Ltd, MCR S.A.S., STS Acoustics SpA, STS Acoustics Poland Sp. z o.o. and Minas Têxteis – Fabricação de Peças e Partes Automotivas Ltda.in Betim, Brasil, are the operative sales companies. Therefore, the STS Group is currently represented in Germany, France, Mexico, China, Italy, Poland and Brazil.

The following diagram shows the structure of STS Group:



15.6 Significant Subsidiaries

The following table presents an overview of the STS Group's significant companies (now subsidiaries) as of February 28, 2018. The following figures for the issued capital have been taken from the STS Group's internal reporting system as of February 28, 2018. All shares in those companies have been fully paid in. There has been no material change with respect to the information presented in the following table between February 28, 2018 and the date of the Prospectus.

Except as noted in the table below, the names of the significant companies (now subsidiaries) of the Group have not changed as of the date of the Prospectus.

Legal name and country of incorporation	**Field of Activity**	**Equity Interest of the STS Group in %**	**Issued Capital (in EURO)**
Minas Têxteis – Fabricação de Peças e Partes Automotivas Ltda.(Brazil)	Production / Distribution	100%	6,712,629
STS Plastics Co. Ltd. (People's Republic of China)	Production / Distribution	100%	18,571,588
STS Plastics SAS (France)	Production / Distribution	100%	1,525,000
STS Plastics Holding SAS (France)	Holding	100%	25,000
STS Composites France SAS (France)	Production / Distribution	100%	7,942,500
STS MCR Holding	Holding	100%	25,000

S.A.S. (France)			
MCR S.A.S. (France)	Production / Distribution	100%	2,502,009
STS Composites Germany GmbH (Germany)	Distribution	100%	25,000
STS Acoustics SpA (Italy)	Production / Distribution	100%	3,200,000
STS Real Estate Srl (Italy)	Holding	100%	10,000
Inoplast Trucks S.A. de C.V. (Mexico)	Production / Distribution	100%	4,440,767
STS Acoustics Poland Sp. z o.o (Poland)	Production / Distribution	100%	198,247

16. Information on the Company's Share Capital and Further Material Provisions of the Articles of Association

16.1 Capital

16.1.1 Share capital and shares

The Company's share capital amounts to EUR 5,000,000.00 and is divided into 5,000,000 no-par value bearer shares with a pro rata amount of the Company's share capital amounting to EUR 1.00 per share. All 5,000,000 non-par value shares are fully paid.

All shares of STS Group AG are part of the Company's share capital.

16.1.2 Development of the subscribed capital

The following table contains an overview of the development of the Company's subscribed capital of STS Group AG since its foundation on 14 November 2012:

Date	**Capital measure**	**Change of the subscribed capital**		**Number of bearer shares after capital measure with a with a nominal amount of EUR 1.00 per share**	**Filing of the resolution or execution of the capital measure in the commercial register**
		Capital increase or reduction amount	**Share capital after capital measure**		
14 November 2012	Foundation	EUR 50,000.00	EUR 50,000.00	50,000	1 February 2013
Resolution of the extraordinary general meeting as of 13 April 2018	Capital increase from company reserves	EUR 1,000,000.00	EUR 1,050,000.00	1,050,000	24 April 2018
Resolution of the extraordinary general meeting as of 25 April 2018	Capital increase against cash contributions	EUR 3,950,000.00	EUR 5,000,000.00	5,000,000	30 April 2018
Resolution of the extraordinary general meeting as of 8 May 2018	IPO cash capital increase	up to EUR 1,000,000	up to EUR 6,000,000	up to 6,000,000	30 May 2018 (presumably)

Foundation of STS Group AG

The Company was formed as a holding company under the legal name "mutares Holding-17 AG", in the form of a stock corporation (*Aktiengesellschaft*) under German law pursuant to an incorporation deed dated 14 November 2012. The Company was originally incorporated and registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Stendal under registration number HRB 19056. With resolution of the Company's general meeting dated 23 February 2017 the Company's legal name was changed into "STS Group AG" and the registered office was transferred from Weißenfels to Hallbergmoos. These changes have been registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich under registration number HRB 231926 on 9 March 2017. The share capital amounted to EUR 50,000.00, divided into 50,000 no-par value bearer shares with a pro rata amount of the Company's share capital amounting to EUR 1.00 per share.

Capital increase from company funds as of 13 April 2018

The Company's extraordinary general meeting held on 13 April 2018 resolved on a capital increase from company reserves from EUR 50,000.00 by EUR 1,000,000.00 to EUR 1,050,000.00 according to the provisions of the German Stock Corporation Act (AktG) (Sections 207 et seqq. AktG) by converting a partial amount of the capital reserve. The capital increase has been conducted by issuing 1,000,000 new no-par value bearer shares with a pro rata amount of the Company's share capital amounting to EUR 1.00 per no-par value share. The Selling Shareholder as the Company's sole shareholder subscribed for all new shares. The new shares carry full dividend rights as of 1 January 2018. The implementation of the capital increase was registered with the commercial register (Handelsregister) by 24 April 2018.

Capital increase against cash contributions as of 25 April 2018

The Company's extraordinary general meeting held on 25 April 2018 resolved to increase the Company's share capital from EUR 1,050,000.00 by EUR 3,950,000.00 to EUR 5,000,000.00 by issuing 3,950,000 new no-par value bearer shares with a pro rata amount of the Company's share capital amounting to EUR 1.00 per no-par value share. The Selling Shareholder as the Company's sole shareholder subscribed for all new shares. The new shares carry full dividend rights as of 1 January 2018. The implementation of the capital increase was registered with the commercial register (*Handelsregister*) on 30 April 2018.

Capital increase against cash contributions as of 8 May 2018

The Company’s extraordinary general meeting held on 8 May 2018 resolved to increase the Company's share capital from EUR 5,000,000.00 by up to EUR 1,000,000.00 to up to EUR 6,000,000.00 against cash contributions in order to create the New Shares. On or around May 2018, the Management Board will resolve, such resolution to be approved by the Supervisory Board on the same day, the number of the New Shares to be issued. The filing of the execution of the capital increase with the commercial register (*Handelsregister*) is expected for 30 May 2018. The implementation of the capital increase regarding the New Shares is expected to be registered with the commercial register by 30 May 2018. The subscription right of the shareholders was excluded. Hauck & Aufhäuser was permitted to subscribe and take over the New Shares under the provision to offer the New Shares for sale to interested investors at a yet to be determined offer price. Hauck & Aufhäuser is obligated to transfer the difference between the issuing amount and the offer price to the Company, after deduction of a reasonable commission and costs.

16.1.3 Treasury Shares

Currently, the Company does not hold any treasury shares of the Company. However, by resolution of the Company’s ordinary general meeting held on 3 May 2018, the Management Board was authorized, with the consent of the Supervisory Board, to acquire treasury shares of the Company up to a total of 10% of the Company’s existing share capital at the time the resolution has been adopted or - if this value is lower - of the Company’s existing share capital of at the time the authorization is exercised up to the expiration of 2 May 2023 in compliance with the principle of equal treatment (Section 53a AktG). The shares acquired on the basis of this authorization, together with other treasury shares of the Company which the Company has acquired and still holds or are to be attributed to it pursuant to Sections 71a et seqq. AktG, may at no time exceed 10% of the respective Company's share capital. The authorization may be exercised once or several times, in whole or in part, in pursuit of one or several purposes by the Company, but also by Group companies or by third parties for the account of the Company or Group companies. The authorization may not be used for the purpose of trading in treasury shares.

16.1.4 Authorization to issue convertible bonds and/or bonds with warrants

By resolution of the Company's ordinary general meeting held on 3 May 2018, the Management Board was authorized, with the consent of the Supervisory Board, to issue convertible bonds, bonds with warrants, profit participation rights and/or income bonds (or combinations of these instruments) (hereinafter collectively referred to as "Bonds") with a nominal amount of up to EUR 140,000,000.00 with or without a maturity limit on one or more occasions until 2 May 2023 and to grant the creditors or holders of Bonds conversion or option rights to shares of the company with a pro rata amount of the Company’s share capital of up to EUR 2,000,000.00 in accordance with the respective option or convertible bond conditions or profit participation right conditions (hereinafter referred to as "Conditions"). The respective Conditions may also provide for mandatory conversions at the end of the term or at other times, including the obligation to exercise the conversion or option right. Bonds may also be issued against contribution in kind.

The shareholders are generally to be granted a subscription right to the debt descriptions. The Bonds may also be accepted by one or more credit institutions with the obligation to offer them indirectly to the shareholders for subscription within the meaning of Section 186 (5) AktG (so-called indirect subscription right). However, the Management Board is authorized, with the consent of the Supervisory Board, to exclude shareholders' subscription rights to the Bonds,

- to exclude fractional amounts from the subscription right;

- to the extent necessary to grant subscription rights to holders of Bonds that have already been or will be issued by the Company or a dependent or direct or indirectly majority-owned company to the extent to which they would be entitled as shareholders after exercising their option or conversion rights or after fulfilling their conversion or option obligations;

- if the Bonds with conversion or option rights or conversion or option obligations are issued against cash payment and the issue price is not materially lower than the theoretical value of the Bonds as determined according to recognized financial mathematical methods within the meaning of Sections 221 (4) sentence 2, 186 (3) sentence 4 AktG. However, this authorization to exclude subscription rights only applies to Bonds with rights to shares to which a pro-rata amount of the share capital of no more than 10% of the share capital is attributable, neither at the time this authorization becomes effective nor at the time it is exercised. The sale of treasury shares is to be counted towards this limit if it takes place during the term of this authorization under exclusion of the subscription right pursuant to Section 71 (1) no. 8 sentence 5 second half sentence AktG in conjunction with Section 186 (3) sentence 4 AktG. Furthermore, shares issued during the term of this authorization from authorized capital under exclusion of subscription rights pursuant to Section 203 (2) sentence 1 AktG in conjunction with Section 186 (3) sentence 4 AktG shall be included in this limit; and

- insofar as the Bonds are issued against contributions in kind, provided that the value of the contribution in kind is in an appropriate relationship to the market value of the Bonds to be determined in accordance with the bullet point above.

16.1.5 Conditional capital

By resolution of the Company's ordinary general meeting held on 3 May 2018, the registered share capital of the Company 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 amounting to EUR 1.00 per no-par value share ("**Conditional Capital 2018/I**"). The Conditional Capital 2018/I serves the granting of shares on the exercise of conversion or option rights or the fulfilment of conversion or option obligations to the bearer or creditor of Bonds issued on the basis of the authorising resolution of the Company’s ordinary general meeting of 3 May 2018. The issue of new shares is on the basis of the conversion or option price to be determined in accordance with the authorising resolution of the Company's ordinary general meeting of 3 May 2018. The Conditional Capital 2018/I will only be implemented to the extent that the bearers or creditors of Bonds which are issued or guaranteed by the Company or company dependent on or directly or indirectly majority-owned by it on the basis of the above authorising resolution of the Company's ordinary general meeting of 3 May 2018, avail of their conversion or option right or satisfy the conversion or option obligations under such Bonds or to the extent the Company grants shares in the Company instead of paying the amount due and to the extent the conversion or option rights or con-version or option obligations are not serviced by the Company's own shares but by shares from authorised capital or other consideration. The new shares participate in the profit from the beginning of the financial year in which they are created and for all subsequent financial years. In deviation here from, the Management Board can, insofar as legally admissible, with the approval of the Supervisory Board, determine that the new shares participate in profit from the beginning of the financial year for which at the time of the exercise of the conversion or option rights, the fulfilment of the conversion or option obligations or the grant (of shares) instead of the amount of money due a resolution of the General Meeting as to the appropriation of the statement of financial position profit has not yet been passed. The Management Board is authorised to determine the further details of the implementation of the Conditional Capital 2018/I. The Supervisory Board is authorised to amend this Section 4 (3) of the Company's Articles of Association in accordance with the claims in each case on the Conditional Capital 2018/I and after the expiry of all option and conversion periods.

By resolution of the Company's ordinary general meeting held on 3 May 2018, the registered share capital of the Company was conditionally increased by up to EUR 500,00.00 by issuing up to 500.000 new no-par value bearer shares with a pro rata amount of the Company's share capital amounting to EUR 1.00 per no-par value share ("**Conditional Capital 2018/II**"). The Conditional Capital 2018/II will only be implemented to the extent that, in accordance with the stock option programme 2018, subscription rights were issued in accordance with the resolution of the Company's general meeting of 3 May 2018, the holders of subscription rights exercise their right to exercise them and the Company does not deliver any treasury shares to satisfy the subscription rights, whereas the Supervisory Board shall be exclusively competent regarding the granting and settlement of subscription rights to the members of Management Board. The new shares participate in the profit from the beginning of the financial year in which the shares are issued.

16.1.6 Authorized capital

Pursuant to the Company's Articles of Association, the Management Board is authorised, subject to the approval of the Supervisory Board, to increase the share capital on one or more occasions on or before 2 May 2023 by up to EUR 2,500,000.00 by issuing up to 2,500,000 no-par value bearer shares against cash and/or contributions in-kind ("**Authorized Capital 2018/I**"). The shareholders are in principle entitled to subscription rights. However, with the approval of the Supervisory Board, the Management Board is authorized to exclude shareholder subscription rights in the following cases:

(i) in order to exclude fractional amounts from the subscription right;

(ii) if necessary to grant to bearers or creditors of Bonds with conversion or option rights or conversion or option obligations and which were or will be issued by the Company or a direct or indirect subsidiary, a subscription right to new non-par value bearer shares of the Company in the amount to which they would be entitled as shareholder after the exercise of the option or conversion rights or fulfilment of the conversion or option obligations;

(iii) to issue shares for cash if the issue amount of the new shares is not significantly less than the stock exchange price of the shares already listed on the stock exchange in the meaning of Sections 203 (1) and (2), 186 (3) sentence 4 AktG and the proportional amount of the basic capital attributable to the new shares issued ac-cording to Section 186 (3) sentence 4 AktG does not exceed a total of 10% of the registered share capital, whether at the time of the coming into effect or at the time of the exercise of this authorisation. Shares which were issued for the purpose of satisfying Bonds with conversion and option rights or with conversion and option obligations or on the basis of the conversion or subscription price at the time of the resolution of the Management Board for the use of Authorised Capital 2018/I if these Bonds were issued in analogous application of Section 186 (3) sentence 4 AktG during the term of this authorisation with exclusion of subscription rights, are to be credited against this limitation of 10%. In addition, those shares of the Company sold during the term of this authorisation with the exclusion of subscription rights of the Shareholders according to Section 71 (1) no. 8 sentence 5 second half sentence AktG in connection with Section 186 (3) sentence 4 AktG are also to be credited against the maximum limit of 10% of the registered share capital. In addition, those shares issued during the term of this authorisation out of other authorised capital with the exclusion of subscription rights according to Section 203 (2) sentence 1 AktG in connection with Section 186 (3) sentence 4 AktG are also to be credited against this maximum limit of 10% of the registered share capital;

(iv) to issue shares for contributions in kind in particular – but not limited thereto – for the purpose of (including in-direct) acquisition of companies, parts of companies, interests in companies and other assets or to service Bonds issued for contributions in kind.

The Management Board is authorised with the approval of the Supervisory Board to determine the further content of the share rights and the conditions of the share issue. The Supervisory Board is authorized after the exhaustion of the Authorized Capital 2018/I or after expiry of the period for the use of the Authorized Capital 2018/I, to amend the version of the Company's Articles of Association accordingly.

16.2 Articles of Association of the Company

16.2.1 Corporate purpose

The purpose of the Company is to advise companies (excluding legal and tax advice) in particular from the automotive sector (passenger cars, commercial and agricultural vehicles), including management services in the areas of acquisitions and sales of companies, human resources management, restructuring, process improvement and strategic corporate planning (ii) the management of own assets, in particular the acquisition, management, holding and exploitation of real estate and the participation of any kind in companies, as well as (iii) service delivery for which authorization is not required. The Company is entitled to participate in companies at home or abroad with the same similar corporate purpose or to establish such companies. It can also establish branches in Germany and abroad.

16.2.2 Changes of the rights of shareholders

The Company's Articles of Association do not contain any provisions regarding the change of rights of shareholders, which deviate from the legal provisions.

16.2.3 Change of control of the Company

The Company's Articles of Association do not contain provisions regarding a change in control of the Company.

16.2.4 Exclusion of Minority Shareholders

In accordance with the provisions of Section 327a et seqq. AktG on the so-called “squeeze-out”, the general meeting of a stock corporation may, upon request of a shareholder who holds 95% of the share capital (the “Principal Shareholder”), resolve to transfer the shares of the remaining minority shareholders to the Principal Shareholder against payment of an adequate cash compensation. The amount of the cash compensation to be granted to the minority shareholders must reflect “the circumstances of the company” at the time the resolution is adopted. The amount of the cash compensation is based on the full value of the company, which is generally determined using the capitalized earnings method.

In case of a merger under the German Transformation Act (*Umwandlungsgesetz*), the aforementioned provisions of Sections 327a et seqq.AktG also apply if the main shareholder only holds 90% of the stock corporation's share capital and the Company is merged into the main shareholder. For this purpose, the general meeting of the transferring stock corporation has to pass a resolution pursuant to Section 327a AktG within a period of three months as of the conclusion of the merger agreement. In consequence of this so-called squeeze-out under the German Transformation Act, minority shareholders are excluded from the transferring stock corporation in the course of the merger.

16.2.5 Mandatory Takeover Bids

In accordance with the provisions of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs-und Übernahmegesetz, "**WpÜG**"*), anyone whose voting share reaches or exceeds 30% of the voting shares of the company and who, thus, gains control over the company within the meaning of the WpÜG is obliged to disclose this fact, including the percentage of voting rights held, without undue delay, however, at the latest within seven calendar days, via the internet and by means of an electronic information dissemination system and subsequently make a public mandatory offer to all other shareholders of the company, unless granted an exemption.

Comparable with the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz, "**WpHG**"*), the WpÜG likewise provides for the attribution of voting rights with respect to the acquisition of a controlling interest.

Any investor failing to make the required notifications shall be precluded from exercising the rights attached to its shares (in particular, voting rights and, under certain circumstances, also the right to dividends) for the duration of such failure. In addition thereto, a statutorily prescribed fine may be imposed if the notification obligations are not complied with.

16.2.6 Notification and Reporting Obligations regarding shares held in the Company

Upon admission of the Company's shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (or any other regulated market in Germany), the provisions of the WpHG governing disclosure requirements for shareholdings apply.

Unless certain exemptions apply, the provisions of the WpHG stipulate that any shareholder who by acquisition, disposal or otherwise reaches, exceeds, or falls below a threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting rights of owned shares in the Company ("Notifiable Person") as a domestic issuer within the meaning of the provisions of the WpHG is required to inform the Company and the German Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht - "BaFin"*) by notice without undue delay, however, no later than within four trading days, that he has reached, exceeded or fallen below such thresholds.

Within the meaning of the provisions of theWpHG, shares are deemed to be "owned" by a Notifiable Person as soon as any unconditional and immediate claim or respective obligation regarding the transfer of shares exists.

The notice shall be transmitted in writing or by facsimile in the German or English language and shall contain, inter alia, the address of the Notifiable Person, the voting rights currently held and the date of the reaching, exceeding or falling below the aforementioned thresholds. A notification via an electronic notification procedure provided by BaFin shall be regarded as equivalent to such transmission.

The period for submission of the voting rights notification commences at the time when a Notifiable Person becomes or must have become aware of the fact that such Notifiable Person's voting rights reach, exceed or fall below the relevant thresholds. With respect to the commencement date of the notification period the Notifiable Person is indisputably deemed to be aware no later than two trading days after the aforementioned thresholds have been reached, exceeded or fallen below. However, if a threshold contact occurs due to events leading to changes in the total amount of voting rights, the period commences once the Notifiable Person becomes aware of the threshold contact, in any case no later than with the publication of the total amount of voting rights of the Company pursuant to Section 41 (1) WpHG. Pursuant to Section 33 (2) WpHG, the aforementioned notification obligations also apply to shareholders who, at the time the shares are first admitted to trading on an organized market, hold 3% or more of the voting rights in an issuer whose home state is Germany.

With the exception of the 3% threshold, corresponding notification obligations for direct or indirect holders of financial instruments apply which (i) grant such holders an unconditional right to acquire previously issued shares of the company which carry voting rights or (ii) give discretionary power with respect to the right to acquire such shares or (iii) refer to shares of the company and have a comparable economic effect as the aforementioned instruments, irrespective of whether such instruments confer a right to demand physical delivery of such shares or not. In particular, these instruments include transferable securities, options, futures and forward contracts, swaps, forward rate agreements and contracts for difference. Moreover, such instruments must be aggregated with the shareholdings to be stated in voting rights notifications. Financial instruments and other instruments the Notifiable Person may acquire by way of a declaration of intent and which, under the WpHG, are therefore attributable to the voting rights of the Notifiable Person already, shall only be taken into account once for purposes of the aforementioned aggregation.

The Company is required to send a notice it has received in accordance with the aforementioned provisions, without undue delay, however, no later than three trading days after receipt of such notice, to the media for publication, including such media as may be expected to disseminate the information throughout the entire European Union and in the other states which are parties to the Convention on the

European Economic Area. The Company is required to simultaneously notify BaFin of the publication and submit the information to the company register for archiving without undue delay, however, not prior to its publication.

In connection with the information obligations described above, the WpHG contains various provisions which are to ensure the attribution of voting rights to the person which actually controls the voting rights pertaining to the shares. For example, shares which are held by a third party company are attributed to a company, if the third party company is a subsidiary of the other company. The same applies to shares which are held by a company for the account of another company.

Pursuant to Section 39 WpHG, the notification obligation of the Notifiable Person in case a voting right threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% is reached, exceeded or fallen below of, shall apply mutatis mutandis to holders of voting rights pertaining to shares held by such person in an issuer whose home state is Germany within the meaning of Section 33 WpHG and to holders of instruments pursuant to Sections 38 (1) WpHG if the sum of the voting rights in one issuer, which are to be taken into account pursuant to Section 33 (1) and Section 38 (1) sentence 1 WpHG, reaches, exceeds or falls below the thresholds set forth in Section 33 (1) sentence 1 WpHG, except for the threshold of 3%.

If such notification is not made or if an incorrect notification is made, the Notifiable Person will generally be excluded from exercising the rights pertaining to such shares (including the voting right and the right to dividends) for the duration of the breach of such notification obligation. Under certain conditions, in particular, in case of a willful or grossly negligent breach of the notification obligations, the exclusion period of such rights may be extended by another six months. Furthermore, in case of a willful or reckless (*leichtfertig*) breach of the notification obligation a fine may be imposed.

Anyone who is subject to the notification requirement pursuant to Sections 33 and 34 WpHG whose shareholding reaches or exceeds the threshold of 10% or a higher threshold for major shareholdings (*wesentliche Stimmrechtsbeteiligungen*) is obliged to disclose the aims underlying the purchase of the voting rights as well as the origin of the funds used to purchase the shareholding. Anyone who is subject to the notification obligation towards the company must fulfil this notification obligation within 20 trading days after the threshold is reached or exceeded. Any changes to the aims initially stated must be notified within 20 trading days. With respect to the intention for the acquisition of voting rights the Notifiable Person has to state whether (i) the investment is aimed at implementing strategic objectives or at generating a trading profit, (ii) such Notifiable Person plans to acquire further voting rights within the next twelve months by means of a purchase or by any other means, (iii) such Notifiable Person intends to exert an influence on the appointment of members of the issuer's administrative, managing and supervisory bodies and (iv) whether such Notifiable Person intends to achieve a material change in the company's capital structure, in particular as regards the ratio between own funds and external funds and the dividend policy. With respect to the origin of the funds used, the Notifiable Person has to indicate whether the funds used by such Notifiable Person for the financing of the acquisition of voting rights were own funds or debt.

A company's articles of association may provide for an exemption from this notification obligation. However, the Company's general shareholders' meeting has not yet made use of this option nor implemented such exemption from the notification obligation in the Company's articles of association. The Company is obliged to publish the information provided to it with respect to major shareholdings in accordance with Section 43 (1) WpHG. The Company is also required to make a publication if the notification obligations have not been met by a Notifiable Person. However, the WpHG does not provide for any further sanctioning in relation to the breach of the aforementioned notification obligations, in particular, there is no loss of the voting right.

16.2.7 Regulations in the articles of association pertaining to capital changes

According to the applicable statutory provisions, changes pertaining to the Company's share capital, in particular capital increase, capital decrease or creation of authorized or conditional capital shall be made through a resolution of the annual general meeting, which is rendered with the majority of votes cast. Where the law also requires a capital majority for resolutions, the simple majority of the capital represented at the time of the resolution shall be sufficient, if this is legally permitted.

The memorandum of association and the Company's Articles of Association do not contain any provisions, which related to changes in regard to the share capital and are stricter than the legal regulations.

17. Corporate Bodies

17.1 Management Board, Supervisory Board and Senior Management

17.1.1 Management Board

General information about the Management Board of STS Group AG

The Management Board consists of one or more persons. The Supervisory Board determines the exact number of the members of the Management Board and appoints and dismisses members of the Management Board. The Supervisory Board may appoint deputy members of the Management Board and appoint a chief executive officer.

If only one member of the Management Board is appointed, he acts individually on behalf of the Company. If several members of the Management Board are appointed, the company is represented either by two members of the Management Board or one board member and a prokorist (authorized officer). The Supervisory Board can determine that each member of the Management Board is authorized to act as sole representative.

The Supervisory Board can determine that single, certain or all members of the Management Board are released from the restrictions of Sec. 181 Civil Code (*BGB*).

The Management Board determines its rules of procedure by unanimous resolution of its members, unless the Supervisory Board issues rules of procedure for the Management Board.

Current members of the Management Board of STS Group AG

The Management Board of the Company currently consists of three members:

Andreas Becker
- Chief Executive Officer -

Mr. Becker finished his studies in business administration at the Management Zentrum Villingen in 1996 and successfully completed an Executive MBA from the GSBA Zurich and University at Albany, USA in 2001. In 2010 Mr. Becker participated in the Senior Executive Programme, at the London Business School. From 1996 to 2013 Mr. Becker held several senior management positions at Autoneum resp. former Rieter Group. The most recent position as Managing Director Autoneum Italy & Head Truck Business Worldwide from 2010 to 2013. After the successful spin off from Autoneum in 2013, Mr. Becker was appointed CEO of STS Acoustics and in 2017 CEO of the newly formed STS Group.

With resolution of the Supervisory Board dated 20 February 2017, Mr. Becker was appointed as member of the Management Board of STS Group AG with immediate effect up to 30 June 2019.

During the past five years Mr Becker was furthermore member of the administrative, management or supervisory body of the following other companies and enterprises:

To date:

- Since July 2014 Chairman of the Board of Directors (*Verwaltungsrat*) of STS Acoustics S.p.A ;
- Since July 2014 Chairman of the Managing Directors of STS Real Estate S.r.l;
- Since July 2015 STS Acoustics Poland Sp. z o.o;
- Since December 2016 President of the Board of Directors (*Verwaltungsrat*) of STS Plastics S.A.S;
- Since October 2017 Managing Director of STS Brazil Holding GmbH;
- Since October 2017 Managing Director of STS Composites Germany GmbH;
- Since July 2017 Chairman of the Managing Directors of STS Plastics Co. Ltd.

Stephan Vrublosky
- Board member –

After finishing his Diploma in economics at the University of Economic Sciences in Vienna in 2005, Mr. Vrublosky completed further training as Certified European Financial Analyst (CEFA) and Chartered International Investment Analyst (CIIA) and finished his Master's Degree in company structuring at the Faculty of Law at the University in Heidelberg, Germany. From 2006 until 2007, Mr. Vrublosky worked for Invest in Germany, Berlin, before joining KMPG, Wirtschaftsprüfungsgesellschaft (auditing company) as a consultant specialized in restructuring. In 2012, Mr. Vrublosky joint mutares Group (from July 2012 until June 2013 Interim Finance Manager of EUPEC Gruppe, since July 2013 Group CFO (*Gruppen Finanzvorstand*) of STS Group).

With resolution of the Supervisory Board dated 20 February 2017, Mr. Vrublosky was appointed as member of the Management Board of STS Group AG with immediate effect up to 30 April 2019.

During the past five years, Mr Vrublosky was furthermore member of the administrative, management or supervisory body of the following other companies and enterprises:

To date:

- Since November 2013 Member of the Board of Directors (*Verwaltungsrat*) of STS Acoustics S.p.A;
- Since July 2014 Member of the Managing Directors of STS Real Estate S.r.l;
- Since Juli 2016 Member of the Managing Directors of STS Acoustics Poland Sp. z o.o;
- Since December 2016 general director of STS Plastics S.A.S;
- Since October 2017 Managing Director of STS Composites Germany GmbH;
- Since July 2017 Member of the Managing Directors of STS Brazil Holding GmbH.
- Since December 2016 Managing Director of MUTARES ITALY S.R.L.

Patrick Oschust
- Board member–

After finishing his studies in Wood Technology in 2000 at University of Applied Sciences in Rosenheim, Germany, Mr. Oschust successfully completed his degree as European Industrial Engineer in 2007 at the German MTM Association. From 1999 until 2003, Mr Oschust worked as a development engineer and as group manager at HIB Trim Part Solutions Bruchsal GmbH & Co. KG before joining Dräxelmaier in 2003 until 2010, where he held various positions, last of all as general manager and head of production. In 2010, Mr. Oschust joint HIB Trim Part Solutions Bruchsal GmbH & Co. KG again before also joining mutares AG in 2011, where he held and still holds various managing positions. In 2013, Mr Oschust also joint STS Acoustics SpA as COO and member of the board of directors and STS Poland Sp. z o.o. in 2016 as a member of the board of directors. In 2017, Mr Oschust became COO of STS Group.

With resolution of the Supervisory Board dated 27 July 2017, Mr Oschust was appointed as member of the Management Board of STS Group AG with immediate effect up to 30 June 2019.

During the past five years, Mr Oschust was member of the administrative, management or supervisory body of the following additional companies and enterprises:

To date:

- Since July 2013 Member of the Board of Directors (*Verwaltungsrat*) of STS Acoustics S.p.A;
- Since July 2014 Member of the Managing Directors of STS Real Estate S.r.l.:
- Since July 2015 Member of the Managing Directors of STS Acoustics Poland Sp. z o.o.

Meanwhile completed:

- From October 2015 until August 2016 Chairman of the Management Board of Norsilk SAS;

- From July 2014 until September 2015 COO of the Board of Directors (*Verwaltungsrat*) of STS Acoustics S.p.A;
- From August 2017 until October 2017 Managing Director of STS Brazil Holding GmbH.

Remuneration of the board members

As of 28 July 2017 the Issuer entered into an employment agreement with Mr. Becker with effect as of 1 July 2017 and a term of two years.

As of 26 April 2017 the Issuer entered into an employment agreement with Mr. Vrublovski with effect as of 1 May 2017 and a term of two years.

There is no employment agreement between the Issuer and Mr. Oschust. The remuneration is regulated in a management service agreement between the Selling Shareholder and STS Group AG with effect from 1 June 2018. In the last closed financial year, fees of EUR 190,800.00 were invoiced by the Selling Shareholder for the consultancy work.

In the last closed financial year as of 31 December 2017, all current management board members were management board members of STS Group AG. As such, in the financial year as of 31 December 2017 the Management Board received a fixed remuneration in the total amount of EUR 743,800.00 (including the consultancy fee for Mr Oschust), variable remuneration in the total amount of EUR 446,250 as well as a total of two company cars.

In the event of termination or non-extension of the employment contract of Mr Becker, Mr Becker is entitled to a settlement payment. Other employment agreements or similar agreements do not exist which contain special benefits such as settlements etc. in the event of termination. There are also no commitments or provisions for pension or retirement payments to the Supervisory Board members.
The Issuer or its subsidiaries have no obligations towards the members of the Board of Management arising from pension or similar commitments. The Issuer or its subsidiaries have therefore neither formed reserves nor provisions for this purpose. The employment agreements with the members of the Management Board do not provide for benefits at the end of the employment.

The board members do not directly hold any shares in the Issuer.

The board members can be reached at the business address of the Company, Zeppelinstr. 4, 85399 Hallbergmoos, district Freising, Germany.

17.1.2 Supervisory Board

General information about the Supervisory Board of STS Group AG

The Supervisory Board consists of three members.

The members of the first Supervisory Board are appointed up to the completion of the shareholders' meeting which resolves on the formal approval for the first financial year after the beginning of their term of office. Apart from that, the members of the Supervisory Board are appointed up to the completion of the shareholders’ meeting which resolves on the formal approval for the fourth financial year after the beginning of their term of office. The financial year in which the election is held does not count. The successor of a withdrawn member is elected for the remaining term of office of the withdrawn member.

Each Supervisory Board and each substitute member can resign from his position by complying with a notice period of two weeks. The resignation must be made in writing to the chairman of the Supervisory Board or the Management Board.

The Supervisory Board elects a chairman and one or several deputies from among its members. The election shall take place at the close of the shareholders' meeting which requires no special convocation. If the chairman or his deputy resigns his office before expiration of his term of office, the Supervisory Board shall call a new election for the remainder of the period of office of the member stepping down.

The Supervisory Board may issue its own rules of procedure in accordance with compulsory statutory provisions and the provisions of these articles.

The meetings of the Supervisory Board are convened in writing by the chairman, giving 14 days' notice. The calculation of the deadline does not include the day on which the invitation is sent out and the day on which the meeting is held. In urgent cases, the chairman may reduce the period of notice and convene the meeting verbally, by telephone, in writing by electronic media (e.g. e-mail).

The agenda and the place and time of the meeting have to be announced simultaneously with the call to convene. As a rule, any additions to the agenda must be provided before expiry of the convocation period.

The chairman may cancel or relocate a convened meeting for good cause.

As a rule, Supervisory Board resolutions shall be adopted in meetings. The chairman shall determine the order in which the agenda items shall be addressed, as well as the type and sequence of votes. Resolutions concerning agenda items of which proper notice was not given may only be adopted if no member objects thereto.

Outside meetings, resolutions may be adopted by votes in writing, by telephone or by using other telecommunications methods provided that all members of the Supervisory Board agree to that procedure or take part in the adoption of resolutions. Such resolutions shall be determined by the chairman in writing and distributed to all members.

The Supervisory Board shall have quorum if no less than half of the members that it is required to consist of - but at least three members - participate in the adoption of the resolution. A member of the Supervisory Board shall be deemed to have participated in such a voting if such a member abstains from voting. An absent member of the Supervisory Board may participate in the passing of a resolution by submitting its written vote via another member of the Supervisory Board.

At the request of two members, the chairman may postpone the passing of resolutions on individual or all agenda items until a maximum of four weeks if there is an important reason for the postponement. The chairman is not authorized to postpone the meeting again.

Supervisory Board resolutions shall require a majority of votes cast, unless another majority is mandatorily required by law.

The chairman of the Supervisory Board may make the declarations on behalf of the Supervisory Board necessary to execute the resolutions of the Supervisory Board and its committees, and may accept declarations on behalf of the Supervisory Board. He is the representative of the Company vis-à-vis third parties or the Management Board.

Current members of the Supervisory Board of STS Group AG

The Supervisory Board of STS Group AG consists of the following three members:

Robin Laik
- Chairman of the Supervisory Board –

Mr Laik holds a degree in business administration from the University of Augsburg. As CFO, Mr Laik managed all commercial departments at ELA Medical GmbH and Porges GmbH (formerly L'Oreal Group) before joining Escada SE. At Escada SE Mr Laik held various managing positions, amongst others, head of M&A. As head of M&A, Mr Laik was responsible for the acquisition and sale of subsidiaries of ESCADA AG. Mr Laik then moved on to Bavaria Industries Group AG ("**Bavaria**"), a company which specializes in the acquisition of companies undergoing situations of transition. At Bavaria, Mr Laik initially headed the restructuring division as head of the Task Force. In doing so, he gained extensive reorganization experience by the restructuring of more than 10 subsidiaries. Mr Laik also supported Bavaria in the successful implementation of the IPO in 2006 before being appointed as member of the Management Board of Bavaria. He resigned from office in July 2007.

During the past five years, Mr Laik was furthermore member of the administrative, management or supervisory body of the following other companies and enterprises:

To date:

- Since 2008 Member of the Management Board and CEO of the Selling Shareholder.

Meanwhile ended:

- From January 2009 until December 2016 Member of the Supervisory Board of Verkehrssysteme Holding AG.

Furthermore, Mr. Laik has been a member of the Supervisory Board during the past five years of numerous intermediate holding companies of mutares Group.

Dr.-Ing. Kristian Schleede
- Deputy Chairman –

Dr. Schleede studied mechanical engineering at RWTH Aachen University from 1977 to 1984. In 1988 he obtained his doctorate at the Institute for Plastics Processing at RWTH Aachen University under Prof. Dr. -Ing. Menges, IKV Aachen and Prof. Dr. -Ing.; Dipl. -Wirt. -Ing. Eversheim, WZL Aachen. In 2005, Dr. Schleede additionally obtained a diploma in international accounting from Controller Academie EY. From 1988 to 1990 Dr. Schleede worked as a manager of process development at 3M Deutschland GmbH before joining the consulting firm McKinsey & Company as a senior manager until 1996 in the practice groups Global Assembly, Electro/Electronics & Aerospace and Innovation/Technology. From 1996 to 2009, Dr. Schleede held a number of managing positions including at Danzas Deutschland, Dussmann KGaA, Swisslog AG and at Kienle+Spiess Group. Since the beginning of 2010, Dr. Schleede took on responsibility for the mutares group, amongst others, as Chief Restructuring Officer. On 2 December 2010, Dr. Schleede was appointed as a member of the Management Board of the Selling Shareholder.

Dr. Schleede is a current member of the administrative, management or supervisory body of the following additional companies and enterprises:

To date:

- Since December 2010 Member of the Management Board of the Selling Shareholder;
- Since August 2006 Managing Director of KSBI GmbH;
- Since Mai 2015 Member of the Supervisory Board of Zanders GmbH.

Meanwhile ended:

- From October 2014 until February 2018 Member of the Supervisory Board of GeesinkNorba Group AG.

Furthermore, Mr. Schleede has been a member of the Supervisory Board during the past five years of numerous intermediate holding companies of mutares Group.

Bernd Maierhofer
- Member –

Mr. Maierhofer holds a diploma in Electrical Engineering from the University of Applied Sciences in Munich. From October 1992 until December 1998 Mr. Maierhofer worked in the Advanced Development Department of Man Nutzfahrzeuge AG before becoming chief department manager and director for Engineering Electrical/Electronical Systems. In July 2005 Mr. Maierhofer become managing director for the 'business unit heavy duty trucks' before joining the Management Board of MAN Truck and Bus AG (former MAN Nutzfahrzeuge AG). As member of the Management Board, Mr. Maierhofer was mainly responsible for the Strategy & Portfolio Development of MAN Truck and Bus AG.

During the past five years, Mr. Maierhofer was furthermore member of the administrative, management or supervisory body of the following other companies and enterprises:

To date:

- Since July 2016 Member of the Supervisory Board of VOSS Automotive GmbH

Meanwhile ended:

- From October 2008 until December 2015 Member of the Management Board of MAN Truck and Bus AG

With resolution of the shareholders' meeting dated 12 September 2014, Dr. Schleede was appointed to the Supervisory Board of STS Group AG until the end of the shareholders' meeting resolving on the formal approval of action of the Supervisory Board for the financial year 2018.

With resolution of the shareholders' meeting dated 24 January 2018, Mr Laik was appointed to the Supervisory Board of STS Group AG for the remaining term of office of the other members of the Supervisory Board thus until the end of the shareholders' meeting resolving on the formal approval of action of the supervisory board for the financial year 2018.

With resolution of the ordinary shareholders' meeting held on 3 May 2018, Mr Maierhofer was appointed to the Supervisory Board of STS Group AG for the remaining term of office of the other members of the Supervisory Board thus until the end of the shareholders' meeting resolving on the formal approval of action of the supervisory board for the financial year 2018.

With supervisory board resolution dated 24 January, Mr. Laik was appointed Chairman and Dr. Schleede was appointed Deputy Chairman of the Supervisory Board.

The Supervisory Board members do not directly hold any shares in the Issuer. Each Supervisory Board member participates in the main shareholder mutares AG. However, no Supervisory Board member has a controlling influence here so that the shares held by mutares AG are not allocated to any Supervisory Board member.

Due to its size of three members, the Supervisory Board has not formed any committees, in particular also no audit committee or remuneration committee.

The board members can be reached at the business address of the Company, Zeppelinstr. 4, 85399 Hallbergmoos, district Freising.

Remuneration of Supervisory Board members

The Supervisory Board members did not receive any remuneration or non-cash benefits for the last completed financial year.

The Company bears the cost of a directors' and officers' liability insurance policy for the members of the Supervisory Board.

Service agreements or similar agreements with the Supervisory Board members do not exist which contain clauses which provide for special benefits such as settlements etc. in the event of the termination of the appointment. There are also no commitments or provisions for pension or retirement payments to the Supervisory Board members.

The supervisory board members do not directly hold any shares in the Issuer.

17.1.3 Senior Management

The Company has no senior management.

17.1.4 Potential conflicts of interest

The members of the management board and the Selling Shareholder have entered into a participation bonus agreement in March 2018 under which the management board's members are entitled to receive partial payments of the positive amount of any net proceeds the Selling Shareholder receives out of its investment in STS Group AG. Therefore, the members of the management board have an own interest in a successful completion of the Offering.

There are no further essential interdependence facts in regard to the persons named under 17.1.1 and 17.1.2 in regard to legal, economic and/or personnel issues.

17.1.5 Delegation or appointment rights

No agreements exist with main shareholders, customers, suppliers or other persons in regard to the appointment of a Management Board or Supervisory Board member.

17.1.6 Additional information in regard to the board members

No family relations exist between the persons named under 17.1.1 and 17.1.2.

No convictions for fraudulent criminal acts were rendered against any of the above mentioned persons during the past five years.

During the past five years, no public accusations and/or sanctions have been made in regard to any of the persons mentioned under 17.1.1 and 17.1.2 by statutory or regulatory authorities (including designated professional bodies). During the past five years, the persons mentioned under 17.1.1 and 17.1.2 have also never been found unfit by a court for being a member in an administrative, management or supervisory body of an issuer of securities or serving in the management or executing the business of an issuer of securities.

The Supervisory Board member Mr. Laik participated in the function as member of the Supervisory Board and Dr. Schleede in the function as member of the Supervisory Board and as a Liquidator in the liquidation of several intermediate holding companies of mutares Group.

Furthermore, Mr. Laik participated in the function as member of the Supervisory Board in the liquidation of Sonnen Holding AG, Sphäroguss AG and Verkehrssysteme Holding AG.

Mr Oschust participated in the function as a member of the Management Board in the liquidation of Castelli SPA.

In addition to these cases the persons mentioned under 17.1.1 and 17.1.2 neither participated in the position as member of a (n) administrative, management or supervisory body nor in the position as member of upper management in an insolvency, insolvency administration or a liquidation.

17.2 Shareholders' Meeting

The shareholders’ meeting takes place at the registered office of the Company or at any German city determined by the Management Board.

The convocation must be announced at least thirty days before the day of the shareholders’ meeting. The day on which the invitation is sent and the day of the meeting itself are not included.

The chairman of the Supervisory Board, or if he is unable to do so, the deputy chairman, presides over the shareholders’ meeting. If both the Chairman and his deputy (deputies) are incapacitated, the chairman shall be elected by the shareholders meeting.

The chairman shall direct the meeting. He shall determine the order in which agenda items are addressed, as well as the type and sequence of votes.

Every share grants a vote in the shareholders’ meeting.

Resolutions of the shareholders’ meeting are adopted with simple majority of the cast votes as far as mandatory legal provisions do not require a qualified majority of votes. If the law provides a majority of the share capital, the simple majority of the share capital of the cast votes is also required.

The right to vote may be exercised by proxy. The granting of the power of representation must be made in writing or by telefax. If the proxy cannot be evidenced during the shareholders' meeting in the aforementioned form, the proxy holder concerned may nevertheless be admitted by the chairman of the shareholders' meeting. However, the proxy holder and the principal are obliged to furnish proof of the power of proxy.

The articles of association do not contain special provisions regarding the convocation of an extraordinary shareholders' meeting.

18. Shareholder structure

18.1 Overview of the shareholders' structure

The following table sets forth the Company's ownership structure (i) as of the date of this prospectus as well as the ownership structure (ii) assuming a placement of New Shares and the Sale Shares in full and (iii) assuming the placement of the New Shares and the Sale Shares in full and full exercise of the Greenshoe Option:

	As of the date of the Prospectus		**Upon completion of the Offering (assumption no exercise of the Greenshoe Option)**		**Upon completion of the Offering (assumption full exercise of the Greenshoe Option)**	
Shareholder	**Shares**	**% (rounded)**	**Shares**	**% (rounded)**	**Shares**	**% (rounded)**
Selling Shareholder	5,000,000	100	4,000,000	66.67	3,700,000	61.67
Freefloat	0	0	2,000,000	33.33	2,300,000	38.33
Total number of shares	**5,000,000**	**100**	**6,000,000**	**100**	**6,000,000**	**100**

18.2 Voting rights of shareholders

Each of the Company's shares carries one vote in the Company's general shareholders' meeting (*Hauptversammlung*). There are no restrictions on voting rights or deviating voting rights.

18.3 Controlling relationships

According to the knowledge of the Company, the Selling Shareholder directly holds a total of 5,000,000 shares in the Company, which equals 100% of the voting rights in the Company. Even after the implementation of the IPO capital increase and sale of the Sale Shares in full and in case of a full exercise of the over-allotment option, the Selling Shareholder will hold at least 61.6% of the Company's shares. Thus, it alone has a number of voting rights that are sufficient to make resolutions in the shareholders' meeting and therefore enable it to exercise a controlling influence over the Company. The controlling influence can in particular be exercised by causing or preventing resolutions in the General shareholders' meeting. Generally, it is not possible to restrict the voting right in the Annual General Meeting.

The Company assumes that the regulations of the German corporate law, in particular the stock corporation law and the capital market law are sufficient to prevent abuse of the control. Special measures in regard to the Company were not taken.

18.4 Future change of controlling relationships

STS Group AG is currently not aware of any agreements that could, at a later date, lead to a change in control of the Company.

19. Related Parties Transactions

Intercompany Management and Business Service Contracts between STS Group AG and Inoplast Trucks SAS (renamed into: STS Composites France S.A.S.), Mixt Composites Recyclabes, STS Plastics S.A.S., STS Acoustics S.p.A., STS Real Estate S.r.l., STS Acoustics Poland Sp. z o.o. and Inoplast Trucks GmbH (renamed into: STS Composites Germany GmbH)

In June and July 2017 the Issuer entered into Intercompany Management and Business Service Contracts ("IMBSC") with several subsidiaries namely: Inoplast Trucks S.A.S. (renamed into: STS Composites France S.A.S.), Mixt Composites Recyclabes S.A.S, STS Plastics S.A.S., STS Acoustics S.p.A., STS Real Estate S.r.l., STS Acoustics Poland Sp. z o.o and Inoplast Trucks GmbH (renamed into: STS Composites Germany GmbH). Under this agreement the Issuer has undertaken to perform several services such as general management services, financial assistance services, services in respect of a continuous improvement process, purchasing assistance services, fill vacancies and interim management, human resources and sale assistance services. For the services performed under these agreements each subsidiary is obliged to pay an annual flat fee which is calculated on the basis of (i) the cost-plus method and (ii) an allocation based on the revenues of all subsidiaries of the Issuer (§ 16 AktG). The allocation ratio for each subsidiary under the IMBSC shall be with respect to a financial year of STS Group AG the relation of the subsidiary's annual turn-over (*Umsatzerlöse*) achieved in the respective financial year to the total turn-over achieved by all subsidiaries of STS Group AG. The services will be invoiced monthly on basis of 1/12 (one twelfth) of the estimated annual amount for any financial year. The initial monthly amount to be paid by Inoplast Trucks S.A.S. (renamed into: STS Composites France S.A.S.) is EUR 128.000 plus VAT, by Mixt Composites Recyclables S.A.S. is EUR 52.000 plus VAT, by STS Plastics S.A.S. is EUR 123,000 plus VAT, by STS Acoustics S.p.A. is EUR 50.000 plus VAT, by STS Real Estate S.r.l. is EUR 1,000 plus VAT, by STS Acoustics Poland Sp. z o.o. is EUR 3,000 plus VAT and by Inoplast Truckss GmbH (renamed into: STS Composites Germany GmbH) is EUR 43,000 plus VAT. The agreements may be terminated any time by written notice to the end of month following the receipt of termination declaration by the other party without payment of any penalty and or indemnity.

Management Service Contract between the Selling Shareholder and STS Plastics S.A.S

On 23 December 2016 the Selling Shareholder entered into a Management Service Contract ("MCS") with STS Plastics S.A.S. Under this agreement the Selling Shareholder has undertaken to provide management consulting services in order to support STS Plastics S.A.S in defining and implementing relevant management projects and setting up all necessary business functions in a speedy, time-efficient manner. The Selling Shareholder is obliged to provide consulting services such as cash management support, assistance in developing the strategic (re-)positioning/realignment, commercial support, assistance in defining and implementing projects for result improvement, assistance in setting up support services, competitor analysis, controlling systems, financing support, human resources and assistance in identifying, evaluating and structuring investment opportunities. For the services performed under this agreement STS Plastics S.A.S. is obliged to pay a fixed monthly management fee equal to EUR 15,000 plus VAT and an additional remuneration fee of EUR 1,200 to EUR 3,500 plus VAT per consultant day (depending on the qualification of an employee). Both sides can terminate the contract in writing at each month end with one-month notice period without payment of any penalty and/or indemnity.

Restructuring Management Service Contract between the Selling Shareholder and STS Poland Sp. z o.o (renamed into STS Acoustics Poland Sp. z o.o Poland), Plastic Omnium Composites Co. Ltd. (renamed into STS Plastics Co., Ltd.), Inoplast Trucks S.A. de C.V., Inoplast Trucks S.A.S. (renamed into: STS Composites France S.A.S.), STS Plastics S.A.S., Mixt Composites Recyclables S.A.S. and Autoneum Italy S.p.A. (renamed into STS Acoustics S.p.A. Italy)

In June, July and October 2017 the Selling Shareholder entered into Restructuring Management Service Contracts ("RMSC") with several subsidiaries namely: STS Poland Sp. z o.o. (renamed into STS Acoustics Poland Sp. z o.o.), Plastic Omnium Composites Co. Ltd. (renamed into STS Plastics Co., Ltd.), Inoplast Trucks S.A. de C.V., Inoplast Trucks S.A.S. (renamed into: STS Composites France S.A.S.), Mixt Composites Recyclables S.A.S. and Autoneum Italy S.p.A. (renamed into STS Acoustics S.p.A. Italy). Under this agreement the Selling Shareholder has undertaken to provide management consulting services in order to support the subsidiaries in defining and implementing a comprehensive restructuring and optimization program in a speedy, time-efficient manner. The Selling Shareholder is obliged to provide consulting services such as cash management support, assistance in developing the strategic (re-)positioning/realignment, commercial support, assistance in defining and implementing projects for result improvement, change of support services, competitor analysis, controlling systems, financing support, human resources and assistance in identifying, evaluating and structuring investment opportunities. For the services performed under this agreement STS Poland Sp. z o.o (renamed into STS Acoustics Poland Sp. z o.o.), Inoplast Trucks S.A.S. (renamed into: STS Composites France S.A.S.), STS Plastics S.A.S. and Mixt Composites Recyclables S.A.S. are obliged to pay fixed monthly management fees (in the range between EUR 10,000 and EUR 30,000 plus VAT) and additional remuneration fees (in the range between EUR 1,200 to EUR 4,000 plus VAT) per consultant day (depending on the qualification of an employee). Both sides of each RMSC can terminate the contract in writing at each month end with one-month notice period without payment of any penalty and/or indemnity. Autoneum Italy S.p.A. (renamed into STS Acoustics S.p.A. Italy), Plastic Omnium Composites Co. Ltd. (renamed into STS Plastics Co., Ltd.) and Inoplast Trucks S.A. de C.V. are obliged to pay only a remuneration fee per consultant day in the amount of EUR 1,400 to EUR 3,500 plus VAT (depending on the qualification of an employee).

Restructuring Management Service Contract between mutares France S.A.S. and STS Plastics S.A.S, MCR S.A.S, Inoplast Trucks S.A.S. (renamed into: STS Composites France S.A.S.), Inoplast Trucks S.A. de C.V., Plastic Omnium Composites Co. Ltd. (renamed into STS Plastics Co., Ltd.), Inoplast Trucks GmbH (renamed into STS Composites Germany GmbH) and STS Acoustics S.p.A.

In January and July 2017 as well as in January 2018 mutares France S.A.S entered into Restructuring Management Service Contracts ("RMSC") with several related companies namely: STS Plastics S.A.S, MCR S.A.S, Inoplast Trucks S.A.S. (renamed into: STS Composites France S.A.S.), Inoplast Trucks S.A. de C.V., Plastic Omnium Composites Co. Ltd. (renamed into STS Plastics Co., Ltd.), Inoplast Trucks GmbH (renamed into STS Composites Germany GmbH) and STS Acoustics S.p.A. Under these contracts mutares France S.A.S has undertaken to provide management consulting services in order to support the contracting parties in defining and implementing a comprehensive restructuring program in a speedy and time efficient manner. Mutares France S.A.S. is obliged to provide consulting services similar to the services provided from the Selling Shareholder in the Restructuring Management Service Contracts named previously such as - but not limited to development of a business plan, cash management support, supply chain management, product portfolio optimization, productivity improvement and reduction of personal expenses. For the services performed under this agreement STS Plastics S.A.S, MCR S.A.S, Inoplast Trucks S.A.S. (renamed into: STS Composites France S.A.S.), Inoplast Trucks S.A. de C.V., Plastic Omnium Composites Co. Ltd. (renamed into STS Plastics Co., Ltd.), Inoplast Trucks GmbH (renamed into STS Composites Germany GmbH) and STS Acoustics S.p.A. are obliged to pay remuneration fees (in the range between EUR 1.200 to EUR 3.500 plus VAT) per consultant day (depending on the qualification of the respective consultant). Both sides of each RMSC can terminate the contract in writing at each month end with one-month notice period without payment of any penalty and/or indemnity.

Agreement between STS Group AG and the Selling Shareholder on the deposit of cash on behalf of STS Group AG to the account of the Selling Shareholder with BNP Paribas Shanghai ("BNPPS")

On 21 July 2017 STS Group AG and the Selling Shareholder entered into an agreement regarding the deposit of cash on behalf of STS Group AG to the account of the Selling Shareholder with BNP Paribas Germany ("BNPPG") to secure a credit line in the amount of up to RMB 35 million to be granted by BNP Paribas Shanghai (“BNPPS”) to STS Plastics Co. Ltd. for STS Plastics Co. Ltd’s operational business. Since STS Group AG had no bank business relationship neither with BNPPS to directly secure the credit line by way of cash deposit with BNPPS nor with BNPPG and due to time constraints, STS Group AG, the Selling Shareholder, BNPPG and BNPPS agreed that, as an interim solution, STS Group AG would make a cash deposit with an already existing account of the Selling Shareholding with BNPPG (“Security Account”) and BNPPG would, in turn, secure BNPPS’ credit line using the cash deposit made by STS Group AG on Security Account as collateral to bridge the gap of the time period until opening of an own account by STS Group AG with BNPPG. STS Group AG and the Selling Shareholder agree that the Security Account will only be used temporarily through STS Group AG and can only be used for the above collateral purposes. This agreement terminates with the receipt of the written reclaim of deposit of STS Group AG and the complete transfer of the amount to an account to be stated by STS Group AG.

Loan Agreements between STS Group AG and several Subsidiaries

Between September and December 2017 STS Plastics S.A.S. granted four loans to STS Group AG in the total amount of EUR 7,950,000. The loans were due for repayment on 15 February 2018 and bore interest of 4,5% per annum. Between September and December 2017 STS Group AG granted a loan to STS Plastics S.A.S. in the total amount of EUR 1,200,000. The loans were due for repayment on 15 February 2018 and bore interest of 4,5% per annum. Each loan has been extended.

On 24 July 2017 STS Composites France S.A.S entered into a loan agreement with STS Group AG and granted a loan to STS Group AG in the amount of EUR 5,000,000. The loan was due for repayment on 29 December 2017. On due day, the existing loan was extended and a repayment date of 15 February 2019 was agreed on. The loan agreement bore interest of 4,5% per annum. The loan has been extended.

Between September and December 2017 MCR S.A.S. entered into four loan agreements with STS Group AG and granted loans to STS Group AG in the total amount of EUR 5,360,191.78. The loans were all due for repayment on 15 February 2018 and bore all interest of 4,5% per annum. Each loan has been extended.

Between July and December 2017 STS Acoustics S.p.A. entered into three loan agreements with STS Group AG granting loans to STS Group AG in the total amount of EUR 6,800,000. The loans were due for repayment on 30 November 2017, 20 December 2017 and 15 February 2018 and bore interest of 4% per annum. As security, STS Group AG pledged shares in its subsidiary MCR S.A.S. Each loan has been extended.

On 30 June 2017 STS Group AG entered into a loan agreement with STS MCR Holding S.A.S. and granted a loan to STS MCR Holding S.A.S. in the amount of EUR 2,832,847.00. The loan bears interest of 4,5% per annum and is due for repayment on 30 June 2020. The loan has been extended.

On 30 June 2017 STS Group AG entered into a loan agreement with STS Plastics S.A.S.U. granting a loan to STS Plastics S.A.S.U. in the amount of EUR 4,790,132.72. The loan bears interest of 4,5% per annum and is due for repayment on 30 June 2020. The loan has been extended.

Loan Agreement between STS Group AG and the Selling Shareholder

In June 2017 the Selling Shareholder entered into a loan agreement with STS Group AG and granted a loan to STS Group AG in the amount of EUR 10,600,000. The loan was due for repayment in the amount of EUR 2,800,000 on 28 July 2017 and in the amount of EUR 7,800,000 on 30 September 2017 and bore interest of 5% per annum. This loan was repaid in full.

Management Service Contract (MSC) between the Selling Shareholder and STS Group AG

The Selling Shareholder entered into a Management Service Contract ("MCS") with STS Group AG with effect as of 1 June 2018. Under this agreement the Selling Shareholder has undertaken to provide management consulting services in order to support STS Group AG in terms of strategy and the set-up of corporate processes. The Selling Shareholder is obliged to provide consulting services and support in the implementation of a strategy, in the implementation of a STS Group-wide standard processes and in the implementation of adequate corporate overhead functions. For the services performed under this agreement STS Group AG is obliged to pay a remuneration based on a fee of EUR 1,500 to EUR 3,500 per consultant day (depending on the qualification of the employee). Both sides can terminate the contract in writing at each month end with one-month notice period without payment of any penalty.

Participation bonus agreement between Members of the Management Board of the Company and the Selling Shareholder

The members of the Management Board of the Company and the Selling Shareholder have entered into a participation bonus agreement in March 2018 under which the management board's members are entitled to receive partial payments of the positive amount of any net proceeds the Selling Shareholder receives out of its investment in STS Group AG.

20. Underwriting

20.1 Underwriting

On 14 May 2018, the Company, the Selling Shareholder and the Underwriters entered into the Underwriting Agreement relating to the offer and sale of the Offer Shares in connection with the Offering. Under the terms of the Underwriting Agreement and subject to certain conditions, each Underwriter will be obliged to acquire the number of Offer Shares set forth below opposite the Underwriter's name:

	Offer Shares	**Percent**
Hauck & Aufhäuser Privatbankiers Aktiengesellschaft	600.000	60%
MainFirst Bank Aktiengesellschaft	400.000	40%

20.2 Underwriting Agreement

In the Underwriting Agreement, the Underwriters agreed to subscribe for and purchase the Offer Shares with a view to offering them to investors in this Offering. The Underwriters will be granted the option to acquire up to 300,000 additional Shares from the Selling Shareholder with regard to a possible over-allotment and to sell such Over-Allotment Shares as part of the Offering.

The obligations of the Underwriters are subject to various conditions, including (i) the absence of a material event, e.g., a material adverse change in or affecting the business, prospects, management, consolidated financial position, shareholders' equity, or results of operations of the Group, or a suspension or material limitation in trading in securities generally on the Frankfurt Stock Exchange, the London Stock Exchange or the New York Stock Exchange (ii) receipt of customary certificates and legal opinions, and (iii) the admission of the Shares to trading on the Frankfurt Stock Exchange.

The Underwriters have provided and may in the future provide services to the Group and the Selling Shareholder in the ordinary course of business and may extend credit to and have regular business dealings with the Group and the Selling Shareholder in their capacity as financial institutions. For a more detailed description of the interests of the Underwriters in the Offering, see "***6.2 Interests of Persons Participating in the Offering and the listing of the Shares***".

20.3 Commission

The Underwriters will offer the Offer Shares at the Offer Price. The Company and the Selling Shareholder will pay the Underwriters a base commission of 3% of the aggregate gross Offering proceeds, each in proportion to the gross Offering proceeds they will receive. In addition to the base commission, the Company and the Selling Shareholder may pay the Underwriters an additional discretionary incentive fee of up to 1% of the aggregate gross Offering proceeds. The total underwriting commission is expected to amount to approximately EUR 2,668,000 (assuming (i) gross Offering proceeds of EUR 29,000,000 to the Company, (ii) gross Offering proceeds to the Selling Shareholder of EUR 37,7000,000 calculated based on an Offer Price at the mid-point of the Price Range and 1,000,000 Sale Shares and 300,000 Over-Allotment Shares sold by the Selling Shareholder and (iii) payment in full of the discretionary incentive fee of up to 1% of the aggregate gross Offering proceeds). The decision to pay any incentive fee and its amount are within the sole discretion of the Company and the Selling Shareholder, and such decision must be made and such distribution is to be made on the closing day of the Offering. The Company and the Selling Shareholder also agreed to reimburse the Underwriters for certain expenses incurred by them in connection with the Offering.

20.4 Greenshoe Option and Securities Loan

To cover potential over-allotments, the Selling Shareholder will make available up to 300,000 additional Shares to the Stabilization Manager, for the account of the Underwriters, free of charge through a share loan. In addition, the Selling Shareholder will grant the Underwriters the option to acquire up to 300,000 Shares at the Offer Price less agreed commissions. This option will terminate 30 calendar days after commencement of the trading of the Shares on the regulated market segment (regulierter Markt) of the Frankfurt Stock Exchange.

20.5 Termination/Indemnification

The Underwriting Agreement provides that the Underwriters may, under certain circumstances, terminate the Underwriting Agreement, including after the Shares have been allotted and listed, up to delivery and settlement. Grounds for termination include in particular:

- a material adverse change in the economic position or the business of the Company or the STS Group; and
- an event that has material adverse effects on the financial markets.

If the Underwriting Agreement is terminated, the Offering will not take place, in which case any allotments already made to investors will be invalidated and investors will have no claim for delivery. Claims with respect to subscription fees already paid and costs incurred by an investor in connection with the subscription will be governed solely by the legal relationship between the investor and the financial intermediary to which the investor submitted its purchase order. Investors who engage in short-selling bear the risk of being unable to satisfy their delivery obligations. The Company and the Selling Shareholder agreed in the Underwriting Agreement to indemnify the Underwriters against certain liabilities that may arise in connection with the Offering, including liabilities under applicable securities laws.

20.6 Selling Restrictions

The distribution of this Prospectus and the sale of the Offer Shares may be restricted by law in certain jurisdictions. No action has been or will be taken by the Company, the Selling Shareholder or the Underwriters to permit a public offering of the Offers Shares anywhere other than in Germany and Luxembourg or the possession or distribution of this document in any other jurisdiction where action for that purpose may be required.

U.S. Selling Restrictions

The Offer Shares are not and will not be registered pursuant to the provisions of the Securities Act or with the securities regulators of the individual states of the United States. The Offer Shares may not be offered, sold or delivered, directly or indirectly, in or into the United States except pursuant to an exemption from the registration and reporting requirements of the United States securities laws and in compliance with all other applicable U.S. legal regulations. The Offer Shares may be sold in or into the United States only to persons who are QIBs within the meaning of Rule 144A in accordance with Rule 144A or another exemption from the registration requirements under the Securities Act, and outside the United States in accordance with Rule 903 of Regulation S and in compliance with other U.S. legal regulations, and no (i) "direct selling efforts" as defined in Regulation S or (ii) "general advertising" or "general solicitation", each as defined in Regulation D under the Securities Act in relation to the Offer Shares may take place. Any offer or sale of Offer Shares in reliance on Rule 144A will be made by broker dealers who are registered as such under the U.S. Securities Exchange Act of 1934, as amended. Terms used above have the meanings given to them by Regulation S and Rule 144A under the Securities Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sales is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

The Company does not intend to register either the Offering or any portion of the Offering in the United States or to conduct a public offering of shares in the United States. This Prospectus has been approved solely by BaFin.

Accordingly, neither this document nor any advertisement or any other offering material may be distributed or published in any jurisdiction other than Germany and Luxembourg except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required to inform themselves about and observe any such restrictions, including those set out in the preceding paragraphs. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

UK Selling Restrictions

Sales in the United Kingdom are also subject to restrictions. In the United Kingdom, this Prospectus is only addressed to and directed to qualified investors (i) who have professional experience in matters relating to investments falling within Article 19 para. 5 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"), and/or (ii) who are high net worth entities falling within Article 49 para. 2(a) through (d) of the Order, and other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "Relevant Persons"). The securities described herein are only available in the United Kingdom to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities in the United Kingdom will be engaged in only with, Relevant Persons. Any person in the United Kingdom who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

EU Selling Restrictions

In relation to each member state of the European Economic Area which has implemented Directive 2003/71/EC as amended (the "Prospectus Directive") from the date of the implementation of the Prospectus Directive (each a "Relevant Member State") no offer to the public of any Offer Shares which are the subject of this Offering have been and will be made in that Relevant Member State, other than the offers contemplated in this Prospectus in Germany (and Luxembourg once the Prospectus has been approved by the BaFin, notified to the *Commission de Surveillance du Secteur Financier* (CSSF)) and published in accordance with the Prospectus Directive as implemented in Germany, except that an offer may be made to the public in that Relevant Member State of any Offer Shares at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to any qualified investor (as defined in the Prospectus Directive);
- by the Underwriters to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company or any Underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this section, an "offer to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares so as to enable an investor to decide to purchase or subscribe for the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any Offer Shares which are the subject of the Offering contemplated by this Prospectus under the offers contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with each Underwriter that:

- it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2 para. 1 lit. (e) of the Prospectus Directive; and
- in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3 para. 2 of the Prospectus Directive, (i) the Offer Shares acquired by it in the Offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than to "qualified investors" as defined in the Prospectus Directive, or in circumstances in which the prior consent of the Underwriters has been given to the offer or resale; or (ii) where Offer Shares have been acquired by it on behalf of

persons in any Relevant Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

20.7 Target Market (Product Governance)

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "**manufacturer**" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the new shares have been subject to a product approval process, which has determined that such new shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors (for the purposes of the MiFID II Product Governance Requirements) should note that: the price of the new shares may decline and investors could lose all or part of their investment; the new shares offer no guaranteed income and no capital protection; and an investment in the new shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the new shares and determining appropriate distribution channels.

21. Taxation in the Federal Republic of Germany

The following section presents a number of key German taxation principles which generally are or can be relevant to the acquisition, holding or transfer of shares by a shareholder (an individual, a partnership or corporation) that has a tax domicile in Germany (that is, whose place of residence, habitual abode, registered office or place of management is in Germany). The information is not exhaustive and does not constitute a definitive explanation of all aspects of taxation that could potentially be relevant for investors. In particular, this summary does not provide a comprehensive overview on tax considerations that may be relevant to a shareholder that is a tax resident of a jurisdiction other than Germany. The information is based on the tax laws in force in Germany as of the date of the Prospectus (and their interpretation by administrative directives and courts) as well as typical provisions of double taxation treaties that Germany has concluded with other countries.

Tax laws are subject to change, potentially with retroactive or retrospective effect. Moreover, it cannot be ruled out that the German tax authorities or courts may consider an alternative interpretation or application to be correct that differs from the one described in this section.

This section cannot serve as a substitute for tailored tax advice to individual potential investors. Potential investors are therefore advised to consult their tax advisers regarding the individual tax implications of the acquisition, holding or transfer of shares and regarding the procedures to be followed to achieve a reimbursement of German withholding tax (Kapitalertragsteuer), if available. Only such advisors are in a position to take the specific tax-relevant circumstances of individual investors into due account.

21.1 Taxation of the Company

As a rule, the taxable profits generated by corporations with their seat or place of management in Germany are subject to corporate income tax (*Körperschaftsteuer*). The rate of the corporate income tax is a standard 15% for both distributed and retained earnings, plus a solidarity surcharge (*Solidaritätszuschlag*) amounting to 5.5% on the corporate income tax liability (i.e., 15.825% in total).

In general, dividends (*Dividenden*) or other profit shares that the Company derives from domestic or foreign corporations are effectively 95% exempt from corporate income tax (including solidarity surcharge), as 5% of such receipts are treated as a non-deductible business expenses, and are therefore subject to corporate income tax (and solidarity surcharge thereon). However, as an exception to the above, dividends that the Company receives from domestic or foreign corporations, are subject to corporate income tax (including solidarity surcharge thereon), if the Company holds a direct participation of less than 10% in the share capital of such corporation at the beginning of the calendar year (hereinafter in all cases, a "Portfolio Participation" *Streubesitzbeteiligung*). Participations of at least 10% acquired during a calendar year are deemed to have been acquired at the beginning of the calendar year. Participations in the share capital of other corporations which the Company holds through a partnership (including those that are co-entrepreneurships *(Mitunternehmerschaften)*) are attributable to the Company only on a pro rata basis at the ratio of the interest share of the Company in the assets of the relevant partnership.

The Company's capital gains from the disposal of shares in a domestic or foreign corporation are in general effectively 95% exempt from corporate income tax (including the solidarity surcharge thereon), regardless of the size of the participation and the holding period. 5% of the capital gains are treated as non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge thereon) at a rate of 15.825%. Conversely, losses incurred from the disposal of such shares are generally not deductible for corporate income tax purposes. Currently, there are no specific rules for the taxation of gains arising from the disposal of Portfolio Participations.

Additionally, German corporations are also usually subject to trade tax (*Gewerbesteuer*) with respect to their taxable trade profit (*Gewerbeertrag*) generated at their permanent establishments maintained in Germany (inländische Betriebstätten). Trade tax generally ranges from approximately 7% to 20.3% of the taxable trade profit depending on the municipal trade tax multiplier applied by the relevant municipal authority (*Hebesatz*). When determining the income of the corporation that is subject to corporate income tax, trade tax may not be deducted as a business expense. In principle, profits derived from the sale of shares in another domestic and foreign corporation are generally treated in the same manner for trade tax purposes as for corporate income tax (as described above). Contrary to this, dividends derived from domestic and foreign corporations are only effectively 95% exempt from trade tax, if the Company either held an interest of at least 15% in the share capital of the company making the distribution at the beginning of the relevant assessment period or—in the case of foreign corporations—if the Company has held a stake of this size continuously since the beginning of such period (trade tax participation exemption privilege—*gewerbesteuerliches Schachtelprivileg*). If the participation is held in a foreign corporation as per Article 2 of Council Directive 2011/96/EU of 30 November 2011, as amended (the “Parent-Subsidiary Directive”) with its registered office in another member state of the European Union, the trade tax participation exemption privilege becomes available, if the Company held at least 10% in the share capital of the foreign corporation at the beginning of the relevant assessment period. Otherwise, the full amount of the profit shares will be subject to trade tax (at the above mentioned rates). Additional restrictions apply for dividends originating from foreign corporations which do not fall under Article 2 of the Parent-Subsidiary Directive (such as certain substance and business activity requirements).

The provisions of the so-called interest barrier rules (*Zinsschranke*) limit the amount of interest expenses which can be deducted from the tax base in certain cases. According to these rules, interest (and other financing) expenses are tax deductible without limitation to the extent that the relevant entity earns taxable interest income in the same financial year. Interest (and other financing) expenses which exceed the taxable interest income ("net interest expenses"), are only tax deductible up to an amount of 30% of the current year taxable EBITDA (taxable earnings before interest, tax and certain depreciation/amortization and other reductions) of the respective entity if the net interest expenses (including interest carry-forward, if any) of the entity amount to at least EUR 3,000,000 per annum (Freigrenze) and no other exceptions apply. Non-deductible interest expenses may be carried forward to subsequent financial years (interest carry-forward) and will increase the interest expense in those subsequent years. Tax EBITDA amounts that have not been fully utilized may under certain circumstances be carried forward to subsequent years. If such EBITDA carry-forward is not used within five financial years it will be forfeited. By decision dated 14 October 2015 the German Federal Fiscal Court (Bundesfinanzhof) submitted to the German Federal Constitutional Court (Bundesverfassungsgericht) the question as to whether or not the interest barrier is unconstitutional. The final decision on whether the interest barrier violates the constitution now lies with the German Federal Constitutional Court which may take several years until it decides. For the time being, the interest barrier remains applicable, and tax assessments may be kept open.

For trade tax purposes, 25% of the interest expenses deductible after applying the interest barrier are added when calculating the taxable trade profit. Therefore, for trade tax purposes, the amount of deductible interest expenses is only 75% of the interest expenses deductible for purposes of corporate income tax.

Under certain conditions, negative income of the Company that has not been offset by current year positive income can be carried forward or back into other assessment periods. Loss carry-backs to the immediately preceding assessment period are only permissible up to EUR 1,000,000 (EUR 511,500 until 2012) for corporate income tax but not at all for trade tax purposes. Negative income that has not been offset and not carried back can only be carried forward to subsequent assessment periods (tax loss carry-forward). In subsequent periods an amount of up to EUR 1,000,000 can be offset against positive income for corporate income and trade tax purposes. If the taxable income or the taxable trade profit exceeds this amount, only 60% of the excess amount can be offset by tax loss carry-forwards. The remaining 40% of the taxable income is subject to corporate income and trade tax (minimum taxation—*Mindestbesteuerung*). Unused tax loss carry-forwards can, as a rule, be carried forward indefinitely and deducted pursuant to the rules set out regarding future taxable income or trade income. However, if more than 25% or more than 50% of the Company’s share capital or voting rights respectively is/are transferred to a purchaser or group of purchasers within five years, directly or indirectly, or if a similar situation arises (harmful share acquisition—schädlicher Beteiligungserwerb), the Company’s unutilized losses and interest carry-forwards (possibly also EBITDA carry-forwards) will generally be forfeited in part (in case of a participation of more than 25% but no more than 50%) or in full (in case of a participation of more than 50%) and, subject to certain exceptions, may not be offset against future profits. As an exception to the aforementioned principles, unutilized losses are, upon application, not forfeited, if the Company’s active business remains unchanged and if the Company proves that an ulterior use of the respective losses is precluded. This exemption applies to harmful share acquisitions conducted after 31 December 2015. In its ruling dated 29 March 2017, the German Federal Constitutional Court (Bundesverfassungsgericht) declared parts of the provisions on the partial forfeiture of losses as described above unconstitutional. The ruling affects certain harmful share acquisitions (schädlicher Beteiligungserwerb) in the years from 2008 until and including 2015. According to the court’s decision, the German legislator is obligated to draft new regulations until 31 December

2018, which would apply retroactively to the respective periods. Further cases challenging the loss forfeiture rules to the extent they provide for a full forfeiture as well as in their version as effective since 2016 are currently pending with the German Federal Constitutional Court (Bundesverfassungsgericht) and the Federal Fiscal Court (Bundesfinanzhof). Therefore, the impact of the loss forfeiture rules on unutilized losses and interest carry-forwards (possibly also EBITDA carry-forwards) is currently unclear.

21.2 Taxation of shareholders

Shareholders may be subject to taxation in Germany in connection with the holding of shares ("*22.2.1 Taxation of dividends*" below), the sale of shares ("*22.2.2 Taxation of capital gains*" below) the gratuitous transfer of shares ("*22.2.4 Gift and inheritance tax*" below).

21.2.1 Taxation of dividends

21.2.1.1 Withholding tax on dividends

As a general rule, the dividends distributed to the shareholder are subject to a withholding tax (*Kapitalertragsteuer*) of 25% and a solidarity surcharge of 5.5% thereon (i.e., 26.375% in total plus church tax, if applicable). This, however, will not apply if and to the extent that dividend payments are funded from the Company's contribution account for tax purposes (steuerliches Einlagekonto; Section 27 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*—"KStG")); in this case, no withholding tax will be withheld. However these payments will reduce the acquisition costs of the shares and may, consequently, increase a taxable gain upon the disposal of the shares. The assessment basis for the withholding tax is the dividend approved by the general shareholders' meeting.

If shares are admitted for collective custody by a securities custodian bank (*Wertpapiersammelbank*) pursuant to Section 5 German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such bank for collective custody (*Sammelverwahrung*) in Germany, the withholding tax is withheld and passed on for the account of the shareholders (i) by the domestic branch of a domestic or foreign credit or financial services institution (*inländisches Kredit- oder Finanzdienstleistungsinstitut*), by the domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or the domestic securities trading bank (*inländische Wertpapierhandelsbank*) which keeps or administers the shares and disburses or credits the dividends or disburses the dividends to a foreign agent, (ii) by the central securities depository (*Wertpapiersammelbank*) to which the shares were entrusted for collective custody if the dividends are disbursed to a foreign agent by such central securities depository (*Wertpapiersammelbank*) or (iii) by the Company itself if and to the extent shares held in collective custody (girosammelverwahrt) by the central securities depository (*Wertpapiersammelbank*) are, however, treated as so called "*abgesetzte Bestände*" (stock being held separately) (hereinafter in all cases, the "Dividend Paying Agent"). The Company does not assume any responsibility for the withholding of taxes on distributions at source, in accordance with the statutory provisions. This means that the Company is released from liability for the violation of its legal obligation to withhold and transfer the taxes at source, if it provides evidence that it has not breached its duties intentionally or gross negligently.

In general, the withholding tax must be withheld without regard to whether and to what extent the dividend is exempt from tax at the level of the shareholder and whether the shareholder is domiciled in Germany or abroad. However, withholding tax on dividends distributed to a company resident in another EU Member State within the meaning of Article 2 of the Parent-Subsidiary Directive, may be refunded or dividends are exempted from withholding tax upon application and subject to further conditions. This also applies to dividends distributed to a permanent establishment of such a parent company in another Member State of the European Union or to a parent company that is subject to unlimited tax liability in Germany, provided that the participation in the Company is actually part of such permanent establishment's business assets. Further requirements for the refund of withholding tax under the Parent-Subsidiary Directive are that the shareholder has directly held at least a 10% of the company's registered share capital for one year, that it fulfils the strict substance and business activity requirements as set out by German anti-treaty shopping rules, and that a respective application is filed with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*, Hauptdienstsitz Bonn-Beuel, An der Küppe 1, 53225 Bonn, Germany).

With respect to distributions made to other shareholders without a tax domicile in Germany, the withholding tax rate can be reduced in accordance with the double taxation treaty if Germany has entered into a double taxation treaty with the respective shareholder's country of residence and if the shares neither form part of the assets of a permanent establishment or a fixed place of business in

Germany, nor form part of business assets for which a permanent representative in Germany has been appointed. The withholding tax reduction is generally granted by the German Federal Central Tax Office (Bundeszentralamt für Steuern (at the address specified above)) upon application in such a manner that the difference between the total amount withheld, including the solidarity surcharge, and the reduced withholding tax actually owed under the relevant double taxation treaty (generally 15%) is refunded by the German Federal Central Tax Office. Also, upon application with the German Federal Central Tax Office and subject to further requirements, dividends may be exempted from withholding tax.
The aforementioned possibilities for an exemption from or a refund of withholding tax depend on certain other conditions being met (particularly the fulfilment of so-called substance and business activity requirements—*Aktivitäts- und Substanzerfordernisse*—in accordance with German anti-treaty shopping rules). In addition, with respect to shares held as private or as business assets by shareholders that are subject to income taxation, the aforementioned relief in accordance with an applicable double taxation treaty may further depend on whether the prerequisites of the special rules on the restriction of withholding tax credit are fulfilled.

Forms for the reimbursement and exemption from the withholding at source procedure are available at the German Federal Central Tax Office (*Bundeszentralamt für Steuern* at the address specified above or online at http://www.bzst.de).

If dividends are distributed to corporations subject to non-resident taxation in Germany, i.e., corporations with no registered office or place of management in Germany and if the shares neither belong to the assets of a permanent establishment or fixed place of business in Germany nor are part of business assets for which a permanent representative in Germany has been appointed, two-fifths of the tax withheld at the source can generally be refunded even if not all of the prerequisites for a refund under the Parent-Subsidiary Directive or the relevant double taxation treaty are fulfilled. The relevant application forms are available at the German Federal Central Tax Office (*Bundeszentralamt für Steuern* at the address specified above).

The aforementioned relief in accordance with applicable double taxation treaties as well as the credit of withholding tax described for shares held as private and as business assets is subject to the following three cumulative prerequisites: The shareholder (i) has been the economic owner of the shares for a continuous period of at least 45 days during the period starting 45 days prior to the date when the dividend becomes due and ending 45 days after such date (the "Minimum Holding Period"; *Mindesthaltedauer*), (ii) has been exposed (if taking into account counter claims and claims against related parties) to at least 70% of the risk resulting from a decrease-in-value of the shares during the Minimum Holding Period (the minimum change-in-value risk; *Mindestwertänderungsrisiko*) and (iii) is not obliged to forward (vergüten) these dividends, directly or indirectly, in total or to more than 50% to another person (the tests under (i) through (iii) above are together described as the "Minimum Risk Test"). In case that the shareholder does not meet the Minimum Risk Test, three fifth of the withholding tax levied on the dividends is not creditable, but may, upon application, be deducted when determining the shareholder's taxable income. Shareholders who do not meet the Minimum Risk Test but who have, nevertheless, not suffered a withholding tax deduction on the dividends (e.g., due to the presentation of a non-assessment certificate) or have already obtained a refund of the taxes withheld, are obliged to notify their competent tax office thereof and to make the payment of an amount corresponding to the amount which would otherwise be withheld. As an exception to this rule, the Minimum Risk Test (and, if applicable, a corresponding notification and (re)payment obligation) does not apply to an investor if either (i) his or her amount of dividend income on shares (including shares from the Company) and certain profit participation rights (*Genussrechte*) does not exceed an amount of EUR 20,000 in a given tax assessment period or if (ii) he or she has been, upon actual receipt of the dividend, the economic owner of the shares for a continuous period of at least one year. These rules apply retroactively as from 1 January 2016. Further to the statutory amendments, the German Federal Ministry of Finance published a decree dated 17 July 2017 (*BMF, Schreiben vom 17.7.2017—IV C 1—S 2252/15/10030:05, DOK 2017/0614356*) outlining the treatment of transactions where the statutory Minimum Risk Test is not applicable but in which a credit of withholding tax will nevertheless be denied as an anti-abuse measure.

Prospective holders of the shares are advised to seek their own professional advice in relation to the possibility to obtain a tax credit or refund of withholding tax on dividends.

The Dividend Paying Agent which keeps or administrates the shares and pays or credits the capital income is required to create so-called pots for the loss set off (*Verlustverrechnungstöpfe*) to allow for setting off of negative capital income with current and future positive capital income. A set off of negative capital income at a Dividend Paying Agent with positive capital income at a different Dividend Paying Agent is not possible and can only be achieved in the course of the income tax assessment at the level of the respective investor. In this case the taxpayer has to apply for a certificate confirming the amount of losses not offset with the Dividend Paying Agent where the pots for the loss set off exists. The application is irrevocable and has to reach the Dividend Paying Agent until 15th December of the respective year. Otherwise the losses will be carried forward to the following year by the Dividend Paying Agent.

Withholding tax will not be withheld by a Dividend Paying Agent if the taxpayer provides the Dividend Paying Agent with an application for exemption (*Freistellungsauftrag*) to the extent the capital income does not exceed the annual lump sum allowance (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 for married couples and registered partners assessed jointly) as outlined on the application for exemption. Furthermore, no withholding tax will be levied if the taxpayer provides the Dividend Paying Agent with a non-assessment certificate (*Nichtveranlagungsbescheinigung*) to be applied for with the competent tax office of the investor.

21.2.1.2 Taxation of dividends of shareholders tax resident in Germany

Shares held as non-business assets

Dividends distributed to shareholders who are tax resident in Germany (generally, individuals whose domicile (*Wohnsitz*) or habitual abode (*gewöhnlicher Aufenthalt*) is located in Germany) and hold the shares as private (non-business) assets form part of their taxable capital investment income, which is subject to a special uniform income tax at a rate of 25% plus solidarity surcharge of 5.5% thereon (i.e., 26.375% in total plus church tax, if applicable).
The income tax owed for this dividend income is in general satisfied by the withholding tax withheld by the Dividend Paying Agent (flat-rate tax on capital income —*Abgeltungssteuer*). Income-related expenses cannot be deducted from the shareholder's capital investment income (including dividends), except for an annual lump-sum deduction (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 for married couples and registered partners assessed jointly). However, the shareholder may request that his capital investment income (including dividends) along with his other taxable income be subject to progressive income tax rate (instead of the uniform tax rate for capital investment income) if this results in a lower tax burden (*Günstigerprüfung*). This request may only be exercised consistently for all capital investment income and only jointly in case of married couples and registered partners assessed jointly. In this case the withholding tax will be credited against the progressive income tax and any excess amount will be refunded. Pursuant to the current view of the German tax authorities (which has been confirmed by a decision of the German Federal Tax Court (*Bundesfinanzhof*)), income-related expenses cannot be deducted from the capital investment income, except for the aforementioned annual lump-sum deduction.

Exceptions from the flat-rate tax on capital income apply upon application for shareholders who have a shareholding of at least 25% in the Company and for shareholders who have a shareholding of at least 1% in the Company and work for the Company in a professional capacity, which enables them to exert significant entrepreneurial influence on the Company's business activities. In this situation, the tax treatment described below under "*(2) Sole Proprietors*" applies.

An automatic procedure for deducting church tax applies unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (Bundeszentralamt für Steuern (at the above address)). The church tax payable on the dividend is withheld and passed on by the Dividend Paying Agent. In this case, the church tax for dividends is satisfied by the Dividend Paying Agent withholding such tax. Church tax withheld at source may not be deducted as a special expense (*Sonderausgabe*) in the course of the tax assessment, but the Dividend Paying Agent may reduce the withholding tax (including the solidarity surcharge) by 26.375% of the church tax to be withheld on the dividends. If the shareholder has filed a blocking notice and no church tax is withheld by a Dividend Paying Agent, a shareholder subject to church tax is obliged to declare the dividends in his income tax return. The church tax on the dividends is then levied by way of a tax assessment.

As an exemption, dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) and are paid to shareholders with a tax domicile in Germany whose shares are held as non-business assets, do—contrary to the above—not form part of the shareholder's taxable income. If the dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) exceeds the shareholder's acquisition costs, negative acquisition costs will arise which can result in a higher capital gain in case of the shares' disposal (cf. below). This will not apply if (i) the shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his legal predecessors at any point during the five years preceding the (deemed, as the case may be,) disposal directly or indirectly held at least 1% of the share capital of the Company (a "Qualified Holding") and (ii) the dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) exceeds the acquisition costs of the shares. In such a case of a Qualified Holding, a dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) is deemed a sale of the shares and is taxable as a capital gain if and to the extent the dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) exceeds the acquisition costs of the shares. In this case, the taxation corresponds with the description in the Section "*22.2.2. Taxation of capital gains*" made with regard to shareholders maintaining a Qualified Holding.

Shares held as business assets

Dividends from shares held as business assets of a shareholder tax resident in Germany are not subject to the flat-rate tax on capital income. The taxation depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship). The withholding tax (including the solidarity surcharge and church tax, if applicable) withheld and paid by the Dividend Paying Agent will generally be credited against the shareholder's income or corporate income tax liability (including the solidarity surcharge and church tax, if applicable) or refunded in the amount of any overpayment.

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) and are paid to shareholders with a tax domicile in Germany whose shares are held as business assets are generally fully tax-exempt in the hands of such shareholder. To the extent the dividend payments funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) exceed the book value of the shares, a taxable capital gain should occur. The taxation of such gain corresponds with the description in the Section "*22.2.2. Taxation of capital gains*" made with regard to shareholders whose shares are held as business assets (however, as regards the application of the 95% exemption in case of a corporation this is not undisputed).

Corporations:

If the shareholder is a corporation tax tax resident in Germany, the dividends are in general effectively 95% exempt from corporate income tax and the solidarity surcharge. 5% of the dividends are treated as a non-deductible business expenses and are therefore subject to corporate income tax (plus solidarity surcharge) at a total tax rate of 15.825%. In other respects, business expenses actually incurred in direct relation to the dividends may be deducted. However, dividends that the shareholder receives are no longer exempt from corporate income tax (including solidarity surcharge thereon), if the shareholder only held (or holds) a Portfolio Participation at the beginning of the calendar year. Participations of at least 10% acquired during a calendar year are deemed to have been acquired at the beginning of the calendar year. Participations which a shareholder holds through a partnership (including those that are co-entrepreneurships (*Mitunternehmerschaften*)) are attributable to the shareholder only on a pro rata basis at the ratio of the interest share of the shareholder in the assets of the relevant partnership.

Dividends (after deducting business expenses economically related to the dividends) are subject to trade tax in the full amount, unless the requirements of the trade tax participation exemption privilege are fulfilled. In this latter case, the dividends are not subject to trade tax; however, trade tax is levied on the amount considered to be non-deductible business expenses (amounting to 5% of the dividend). Trade tax ranges from approximately 7% to 20.3% of the taxable trade profit depending on the municipal trade tax multiplier applied by the relevant municipal authority.

Sole Proprietors:

If the shares are held as business assets by a sole proprietor tax resident in Germany, only 60% of the dividends are subject to progressive income tax (plus solidarity surcharge) at a total tax rate of up to approximately 47.5% (plus church tax, if applicable), so-called partial income method (*Teileinkünfteverfahren*). Only 60% of the business expenses economically related to the dividends are tax deductible. If the shares belong to a domestic permanent establishment in Germany of a business operation of the shareholder, the dividend income (after deducting business expenses economically related thereto) is not only subject to income tax but is also fully subject to trade tax, unless the prerequisites of the trade tax participation exemption privilege are fulfilled. In this latter case the net amount of dividends, i.e., after deducting directly related expenses, is exempt from trade tax. As a rule, trade tax can be credited against the shareholder's personal income tax, either in full or in part, by means of a lump-sum tax credit method, depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

Partnerships:

If the shareholder is a commercially active ("*gewerblich tätig*") or commercially tainted ("*gewerblich geprägt*") partnership (co-entrepreneurship) with a tax domicile in Germany, the income or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. The taxation for every partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the dividends contained in the profit share of the shareholder will be taxed in accordance with the principles applicable for corporations (see (i) *"—Corporations*" above). If the partner is an individual, the taxation is in line with the principles described for sole proprietors (see (ii) *"—Sole Proprietors*" above). Upon application and subject to further conditions, an individual as a partner may obtain a reduction of his personal income tax rate for earnings not withdrawn from the partnership.

If the shares form part of the business assets of a domestic permanent establishment of a commercial partnership or a partnership with a commercial imprint, the full amount of the dividend income is subject to trade tax at the level of the partnership. In the event of partners who are individuals, the trade tax that the partnership pays on his or her proportion of the partnership's income is generally credited as a lump sum – fully or in part – against the individual's personal income tax liability. If the partnership held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period, the dividends should generally not be subject to the trade tax. However, if the partners are corporations, the 5% of the dividend income treated as non-deductible business expenses will be subject to trade tax. The business expenses directly related to the dividends (for example, financing costs) are not deductible unless they exceed the amount of dividend income exempted. Special rules apply to companies operating in the financial and insurance sectors and to pension funds.

21.2.1.3 Taxation of dividends of shareholders tax resident outside of Germany

Shareholders not tax resident in Germany, whose shares are attributable to a German permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed, are liable for tax in Germany on their dividend income. In this respect, the provisions outlined above for shareholders with a tax domicile in Germany whose shares are held as business assets apply accordingly (see "*Shares and subscription rights held as business assets*" under "*21.2.2.1 Taxation of capial gains of shareholders tax resident in Germany*"). The withholding tax (including the solidarity surcharge) withheld and passed on will generally be credited against the income or corporate income tax liability or refunded in the amount of any excess.

In all other cases, any German tax liability for dividends is satisfied by the withholding of the withholding tax by the Dividend Paying Agent. Withholding tax is only reimbursed in the cases and to the extent described above under "*22.2 Withholding tax*".

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) are generally not taxable in Germany.

21.2.2 Taxation of capital gains

21.2.2.1 Taxation of capital gains of shareholders tax resident in Germany

Shares and subscription rights held as non-business assets

Capital gains on the disposal of shares acquired after 31 December 2008 by a shareholder with a tax residence in Germany and held as non-business assets are generally – regardless of the holding period – subject to a uniform tax rate on capital investment income in Germany (25% plus the solidarity surcharge of 5.5% thereon, i.e., 26.375% in total plus any church tax if applicable). The same applies to gains on the sale of subscription rights granted for such shares.

In the view of taxing authorities, the exercise of subscription rights is not considered as a sale of such subscription rights. Shares acquired as a consequence of the exercise of subscription rights are deemed to be acquired at a subscription price of EUR 0 at the time of exercise of the subscription right.

The taxable capital gain is computed from the difference between (i) the proceeds of the disposal and (ii) the acquisition costs of the shares and the expenses related directly and materially to the disposal. Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) reduce the original acquisition costs; if dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) exceed the acquisition costs, negative acquisition costs – which can increase a capital gain – can arise in case of shareholders whose shares are held as non-business assets and do not qualify as Qualified Holding.

Only an annual lump-sum deduction of EUR 801 (EUR 1,602 for married couples and registered partners assessed jointly) may be deducted from the entire capital investments income. It is generally not possible to deduct income-related expenses in connection with capital gains, except for the expenses directly related in substance to the disposal which can be deducted when calculating the capital gains. Losses on disposals of shares or subscription may only be offset against capital gains on the disposal of shares or subscription rights realized during the same year or, subject to certain restrictions, in subsequent years.

If the shares are held in custody or administered by a domestic branch of a domestic or foreign credit institution, a domestic branch of a domestic or foreign financial services institution, domestic securities trading company or a domestic securities trading bank, or if such an office executes the disposal of the shares or subscription rights and disburses or credits the capital gain (a "Domestic Paying Agent"), the tax on the capital gains will in general be satisfied by the Domestic Paying Agent withholding the withholding tax on investment income in the amount of 26.375% (including the solidarity surcharge) on the capital gain and remitting it to the tax authority for the account of the seller. If the shares were held in safekeeping or administered by the respective Domestic Paying Agent after acquisition, the amount of tax withheld is generally based on the difference between the proceeds from the sale, after deducting expenses that stand in direct relation to the sale, and the amount paid to acquire the shares. However, the withholding tax rate of 25% (plus the 5.5% solidarity surcharge thereon and church tax, if any) will be applied to 30% of the gross sales proceeds if the shares were not administered by the same Domestic Paying Agent since acquisition and the original cost of the shares cannot be verified or such verification is not valid. In this case, the shareholder is entitled to substantiate the original costs of the shares in his annual tax return. In any case, the acquisition costs for subscription rights granted by the Company are deemed to be EUR 0 for purposes of this calculation.

However, the shareholder may apply for his total capital investment income together with his other taxable income to be subject to progressive income tax rate as opposed to the uniform tax rate on investment income, if this results in a lower tax liability (*Günstigerprüfung*). This request may only be exercised consistently for all capital investment income and only jointly in case of married couples and registered partners assessed jointly. In this case the withholding tax is credited against the progressive income tax and any resulting excess amount will be refunded; limitations on offsetting losses are applicable. Further, pursuant to the current view of the German tax authorities (which has been confirmed by a decision of the German Federal Tax Court (*Bundesfinanzhof*)), income-related expenses are non-deductible, except for the annual lump-sum deduction. Further, the limitations on offsetting losses are also applicable under the income tax assessment.

If the withholding tax or, if applicable, the church tax on capital gains is not withheld by a Domestic Paying Agent, the shareholder is required to declare the capital gains in his income tax return. The income tax and any applicable church tax on the capital gains will then be collected by way of assessment.

An automatic procedure for deducting church tax applies unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern* at the above address) and, church tax on capital gains is withheld by the Domestic Paying Agent and is deemed to have been paid when the tax is deducted. A deduction of the withheld church tax as a special expense is not permissible, but the withholding tax to be withheld (including solidarity surcharge) is reduced by 26.375% of the church tax to be withheld on the capital gains.

Regardless of the holding period and the time of acquisition, gains from the disposal of shares are not subject to a uniform withholding tax but to progressive income tax in case of a Qualified Holding. In this case the partial income method applies to gains on the disposal of shares, which means that only 60% of the capital gains are subject to tax at the personal progressive tax rates, and only 60% of the losses on the disposal and expenses economically related thereto are tax deductible. Even though withholding tax is withheld by a Domestic Paying Agent in the case of a Qualified Holding, this does not satisfy the tax liability of the shareholder. Consequently, a shareholder must declare his capital gains in his income tax returns. The withholding tax (including the solidarity surcharge and church tax, if applicable) withheld and paid will be credited against the shareholder's income tax on his tax assessment (including the solidarity surcharge and any church tax if applicable) or refunded in the amount of any overpayment.

The aforesaid taxation rules apply accordingly to the sale of subscription rights by shareholders holding a Qualified Participation. Unlike under the flat-tax regime for capital income (*Abgeltungssteuer*), the acquisition costs of subscription rights are calculated as a fraction of the original acquisition costs of the underlying shares which is split off from the shares and attributed to the subscription rights (aggregate value method). Upon exercise of a subscription right, its acquisition costs increase the acquisition costs of the newly acquired shares.

Under certain conditions, prior payments from the contribution account for tax purposes (*steuerliches Einlagekonto*) may lead to reduced acquisition costs of the shares held as personal assets and, as a consequence, increase the taxable capital gain.

Shares and subscription rights held as business assets

Where a Domestic Paying Agent is involved, gains on the sale of shares or subscription rights held as business assets are generally subject to withholding tax to the same extent as for a shareholder whose shares or subscription rights are held as private assets (see the section above "*Shares and subscription rights held as non-business assets*"). However, the Domestic Paying Agent may refrain from withholding the withholding tax if (i) the shareholder is a corporation, association (*Personenvereinigung*) or estate (*Vermögensmasse*) with tax domicile in Germany, or (ii) the shares form part of the shareholder's domestic business assets, and the shareholder informs the paying agent of this on the officially prescribed form and meets certain additional prerequisites. If the Domestic Paying Agent nevertheless withholds taxes, the withholding tax withheld and remitted (including solidarity surcharge) will be credited against the shareholder's income tax or corporate income tax liability and any excess amount will be refunded.

The taxation of the capital gains depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship). Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) reduce the original acquisition costs. In case of disposal a higher taxable capital gain can arise herefrom. If the dividend payments exceed the shares' book value for tax purposes, a taxable capital gain can arise.

Corporations:

If the shareholder is a corporation with a tax domicile in Germany, the gains on the disposal of shares are in general effectively 95% exempt from corporate income tax (including solidarity surcharge) and trade tax, currently, regardless of the size of the participation and the holding period. 5% of the gains are treated as a non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge) at a tax rate amounting to 15.825% and trade tax (depending on the municipal trade tax multiplier applied by the municipal authority, generally between approximately 7% and 20.3%). As a rule, losses on disposals and other profit reductions in connection with shares (e.g., from a write-down) cannot be deducted as business expenses. Currently, there are no specific rules for the taxation of gains arising from the disposal of Portfolio Participations.

Gains realized on the sale of subscription rights are subject in full to corporate income tax and trade tax. Losses from the sale of subscription rights and other reductions in profit reduce the taxable income.

Sole Proprietors:

If the shares or subscription rights are held as business assets by a sole proprietor with a tax domicile in Germany, only 60% of the capital gains on the disposal of the shares are subject to progressive income tax (plus the solidarity surcharge) at a total tax rate of up to approximately 47.5%, and, if applicable, church tax (partial-income method). Only 60% of the losses on the disposal and expenses economically related thereto are tax deductible. If the shares or subscription rights belong to a German permanent establishment of a business operation of the sole proprietor, 60% of the capital gains from the disposal are, in addition, subject to trade tax. Trade tax can be credited towards the shareholder's personal income tax, either in full or in part, by means of a lump-sum tax credit method – depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer. The taxing authorities take the view that the exercise of subscription rights is not considered a taxable event. Upon application and provided that additional prerequisites are met, a sole proprietor may obtain a certain reduction of his personal income tax rate for profits not withdrawn from the business.

Partnerships:

If the shareholder is a commercial partnership or partnership with a commercial imprint (co-entrepreneurship) with a tax domicile in Germany, the income or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. The taxation depends on whether the partner is a corporation or an individual. If the partner is a corporation, the gains on the disposal of the shares as contained in the profit share of the partner will be taxed in accordance with the principles applicable for corporations (see (i) "—*Corporations*" above). For capital gains in the profit share of a partner that is an individual, the principles outlined above for sole proprietors apply accordingly (partial-income method, see above under (ii) "—*Sole Proprietors*"). Upon application and subject to further conditions, an individual as a partner can obtain a reduction of his personal income tax rate for earnings not withdrawn from the partnership.

In addition, capital gains on the disposal of shares are subject to trade tax at the level of the partnership, if the shares are attributed to a domestic permanent establishment of a business operation of the partnership: Generally, at 60% as far as they are attributable to the profit share of an individual as the partner of the partnership, and, currently, at 5% as far as they are attributable to the profit share of a corporation as the partner of the partnership. Losses on disposals and other profit reductions in connection with the shares are currently not considered for the purposes of trade tax if they are attributable to the profit share of a corporation, and are taken into account at 60% in the context of general limitations if they are attributable to the profit share of an individual. If the partner of the partnership is an individual, the portion of the trade tax paid by the partnership attributable to his profit share will generally be credited, either in full or in part, against his personal income tax by means of a lump-sum method – depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

Special rules apply to companies operating in the financial and insurance sectors as well as to pension funds.

21.2.2.2 Taxation of capital gains of shareholders tax resident outside of Germany

Capital gains derived by shareholders with no tax domicile in Germany are only subject to German tax if the selling shareholder has a Qualified Holding in the Company or the shares belong to a domestic permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed.

In case of a Qualified Holding without a domestic permanent establishment or fixed place of business and without attribution to the business assets for which a permanent representative has been appointed, 5% of the gains on the disposal of the shares were currently in general subject to corporate income tax plus the solidarity surcharge, if the shareholder is a corporation. However, on the basis of a recent decision of the Federal Tax Court (*Bundesfinanzhof*, docket no. I R 37/15), the capital gain realized by such a corporation should be fully exempt from German taxation.

If the shareholder is a private individual, only 60% of the gains of the disposal of the shares are subject to progressive income tax plus the solidarity surcharge (partial-income method). However, most double taxation treaties provide for exemption from German taxation and assign the right of taxation to the shareholder's country of residence. According to the tax authorities there is no obligation to withhold withholding tax at source in the case of a Qualified Holding if the shareholder submits to the Domestic Paying Agent a certificate of domicile issued by a foreign tax authority.

With regard to gains or losses of the disposal of shares belonging to a domestic permanent establishment or fixed place of business or which are part of business assets for which a permanent representative in Germany has been appointed, the above-mentioned provisions pertaining to shareholders with a tax domicile in Germany whose shares are business assets apply mutatis mutandis (see section above "*Shares and subscription rights held as business assets*" under "*21.2.2.1 Taxation of capital gains of shareholders tax resident in Germany*"). The Domestic Paying Agent can refrain from deducting the withholding tax if the shareholder declares to the Domestic Paying Agent on an official form that the shares form part of domestic business assets and certain other requirements are met.

21.2.3 Special provisions on taxation of special shareholders (credit institutions, financial services institutions, financial undertakings as well as life and health insurance companies and pension funds)

As an exception to the aforementioned rules, dividends paid to, and capital gains realized by, certain companies in the financial and insurance sector are fully taxable. The aforementioned exclusions of (partial) tax exemptions for corporate income tax and trade tax purposes shall only apply to shares which, in the case of credit institutions and financial services institutions, are to be allocated to the trading portfolio (*Handelsbestand*) within the meaning of the German Commercial Code (*Handelsgesetzbuch*). In case of finance companies, the aforementioned exclusions of (partial) tax exemptions shall only apply to shares held by finance companies where (i) credit institutions or financial services institutions hold, directly or indirectly, a participation of more than 50% in the respective finance company and (ii) where the finance company must disclose the shares as current assets (*Umlaufvermögen*) as of the time they are initially recognized as business assets. Likewise, the tax exemption described earlier afforded to corporations for dividend income and capital gains from the sale of shares does not apply to shares that qualify as a capital investment in the case of life insurance and health insurance companies, or those which are held by pension funds.

In addition, relief of withholding tax may be available under an applicable double taxation treaty, subject to certain prerequisites, e.g., substance requirements and holding periods, being met.

21.2.4 Gift and inheritance tax

The transfer of shares to another person mortis causa or by way of gift is generally subject to German inheritance or gift tax if:

(i) the place of residence, habitual abode, place of management or registered office of the decedent, the donor, the heir, the donee or another acquirer is, at the time of the asset transfer, in Germany, or such person, as a German national, has not spent more than five continuous years outside of Germany without maintaining a place of residence in Germany; or

(ii) the decedent's or donor's shares belonged to business assets for which there had been a permanent establishment in Germany or a permanent representative had been appointed; or

(iii) the decedent or the donor, at the time of the succession or gift, held a direct or indirect interest of at least 10% of the Company's share capital either alone or jointly with other related parties.

The small number of double taxation treaties in respect of inheritance and gift tax which Germany has concluded to date usually provide for German inheritance or gift tax only to be levied in the cases under (i) and, subject to certain restrictions, in the cases under (ii). Special provisions apply to certain German nationals living outside of Germany and to former German nationals.

21.2.5 Other taxes

No German capital transfer taxes, value-added-tax, stamp duties or similar taxes are currently levied on the purchase or disposal or other forms of transfer of the shares. However, an entrepreneur may opt to subject disposals of shares, which are in principle exempt from value-added-tax, to value-added-tax if the sale is made to another entrepreneur for the entrepreneur's business. Wealth tax is currently not levied in Germany.

21.2.6 The Proposed Financial Transaction Tax (FTT)

On 14 February 2013, the European Commission adopted a proposal for a Council Directive on a common financial transaction tax ("**FTT**"). According to the Commission draft, the FTT shall be implemented in eleven EU Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain). In 2015, Estonia stated that it will not participate in implementing the proposed FTT.

The proposed FTT has a very broad scope and could, if introduced in the form of the proposal, apply to certain dealings in the shares of the Company in certain circumstances.

Nevertheless, the FTT remains subject to negotiation between the EU Member States and was (and most probably will be) the subject of legal challenge. It may still be adopted and be altered prior to its adoption, the timing of which remains unclear. Moreover, once any directive has been adopted (for purposes of this sub-section, the "Directive"), it will need to be implemented into the respective domestic laws of the participating EU Member States and the domestic provisions implementing the Directive might deviate from the Directive itself. Finally, additional EU Member States may decide to participate in or to dismiss the implementation. The participation of at least nine EU Member States is necessary to enact a Directive without the participation of all EU Member States in the so-called enhanced cooperation legislation procedure.

Prospective shareholders should consult their own tax advisers in relation to the consequences of the FTT.

22. Taxation in Luxembourg

The following information is basic in nature and represents a general description of the principles of taxation in Luxembourg which may be relevant when acquiring, holding and selling shares under Luxembourg law as of the date of this Prospectus. The following information does not purport to be a complete description of all potential tax considerations which might be important when making an investment decision. It may not include certain tax considerations which arise from rules of general application or are assumed to be generally known by the shareholders. This summary is based on the laws in force in Luxembourg on the date of this Prospectus and is subject to changes in law, court decisions, changes of the administrative practice or other changes that may be made after such date, even with retroactive or retrospective effect. The following information is not intended to be and should not be regarded as legal or tax advice. Prospective shareholders should consult their tax and legal advisors as to the particular legal consequences which may arise from their personal situation and the laws applicable to them.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax generally encompasses corporate income tax (impôt sur le revenu des collectivités), municipal business tax (impôt commercial communal), a solidarity surcharge (contribution au fonds pour l'emploi) as well as personal income tax (impôt sur le revenu des personnes physiques). Corporate taxpayers may further be subject to net wealth tax (impôt sur la fortune), as well as other duties, levies and taxes. Corporate income tax, municipal business tax, net wealth tax and the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and solidarity surcharge. Under certain circumstances, where individual taxpayers act in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

22.1 Tax Residency

A shareholder will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding and/or disposal of the Company's shares or the execution, performance, delivery and/or enforcement of rights thereunder unless the shareholder has either a permanent establishment or a permanent representative in Luxembourg or a fixed place of business to which or whom the Shares are attributable.

22.2 Withholding Taxes

Dividends paid to shareholders by a non-resident company, such as the Company, as well as liquidation proceeds and capital gains derived from the Company's shares are not subject to withholding tax in Luxembourg. Therefore the non-resident company has no responsibility to withhold tax in Luxembourg, even if the payments are made through a Luxembourg-based paying agent, provided that the latter is not considered as being the beneficial owner of the incomes.

22.3 Income Tax

For the purposes of this paragraph, a disposal may include a sale, an exchange, a contribution, redemption and any other kind of alienation of the Company's shares.

22.3.1 Non-resident shareholders

Non-resident shareholders not having a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which the Company's shares or income therefrom are attributable, are not subject to Luxembourg income tax on income nor on capital gains realized on the disposal or redemption of the Company's shares. Non-residents shareholders who have a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which the Company's shares or income therefrom are attributable are subject to Luxembourg income tax on income received under the Company's shares and on any gains realized upon the sale or disposal of the Company's shares.

22.3.2 Luxembourg resident individuals

Dividends and other payments derived from the Company's shares by a resident individual shareholder, who acts in the course of the management of either his private wealth or his professional or business activity, is subject to income tax at the ordinary progressive rates (with a current effective marginal rate of up to 42%). Such income tax rate is increased by a surcharge on the income tax of 7% for income not exceeding EUR 150,000 for single taxpayers and EUR 300,000 for couples taxed jointly, and by 9% for income above these amounts. In addition, a 1.4% dependence insurance contribution is due. A tax credit may be granted, under certain circumstances, for foreign withholding taxes.

Under current Luxembourg tax law, 50% of the gross amount of dividends received by resident individual shareholders from the Company can be exempt from income tax under certain circumstances. In addition, a total lump-sum of EUR 1,500 (which is doubled for taxpayers who are jointly taxable) is deductible from the total of dividends received during the tax year.

Capital gains realized upon the disposal of the shares by a resident individual shareholder, who acts in the course of the management of his private wealth, are not subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation. A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the Company's shares. Capital gains are deemed to be speculative and are thus subject to income tax at ordinary progressive tax rates if the Company's shares are disposed of within six months after their acquisition.

A participation is deemed to be substantial where a resident individual shareholder holds or has held, either alone or together with his spouse or partner and / or minor children, directly or indirectly at any time within the five years preceding the disposal, more than 10% of the share capital of the company whose shares are being disposed of. A shareholder is also deemed to alienate a substantial participation if he acquired free of charge, within the five years preceding the transfer, a participation that was constituting a substantial participation in the hands of the alienator (or the alienators, in case of successive transfers free of charge within the same five-year period). Capital gains realized on a substantial participation more than six months after the acquisition thereof are taxed according to the half-global rate method (i.e. the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realized on the substantial participation) and may benefit from an allowance of up to EUR 50,000 granted for a ten-year period (which is doubled for taxpayers who are jointly taxable).

Capital gains realized upon the disposal of the Company's shares by a resident individual shareholder, who acts in the course of his professional or business activity, are subject to income tax at ordinary progressive rates. Taxable gains are determined as being the difference between the price for which the Company's shares have been disposed of and the lower of their cost or book value.

22.3.3 Luxembourg fully-taxable corporate residents

Dividends

Dividends and other payments made by the Company to a Luxembourg fully-taxable company or to a Luxembourg permanent establishment of a foreign company or of non-resident individuals are generally subject to a combined corporate income tax rate of 26.01% (for resident corporate taxpayers established in Luxembourg City), unless the conditions of article 166 of the Luxembourg income tax law, as amended, (**"LITL"**) in relation to the Luxembourg participation exemption, as described below, are satisfied.

If the conditions of the participation exemption are not met, 50% of the gross amount of dividends received by Luxembourg resident fully-taxable companies from the Company can be exempt from income tax under certain circumstances.

A tax credit may under certain conditions, be granted for foreign withholding taxes if levied by the country of residency of the Company.

Under the Luxembourg participation exemption, dividends derived from the Company's shares may be exempt from income tax at the level of the corporate resident shareholder if cumulatively (i) the shareholder is (a) a Luxembourg fully-taxable resident collective entity taking one of the forms listed in the appendix to paragraph 10 of article 166 LITL, or (b) a fully taxable resident corporation not listed in the appendix to paragraph 10 of article 166 LITL, or (c) a Luxembourg permanent establishment of a company covered by article 2 of the Parent-Subsidiary Directive, or (d) a Luxembourg permanent establishment of a foreign company resident in a country having a tax treaty with Luxembourg, or (e) a Luxembourg permanent establishment of a collective entity or a cooperative company, resident in the EEA other than a EU Member State, ("Qualified Parent" or "Qualified Permanent Establishment"), and (ii) the Company is a collective entity referred to in article 2 of the Parent-Subsidiary Directive, and (iii) at the time the dividend is put at the shareholder's disposal, the shareholder has held or commits to hold for an uninterrupted period of at least twelve months a qualified shareholding ("Qualified Shareholding"). A Qualified Shareholding means shares representing a direct participation of at least 10% in the share capital of the Company or a direct participation of an acquisition price of at least EUR 1.2 million.

The above exemption is not applicable if the dividends distributed (i) would be tax deductible in the country of residence of the Company; or (ii) have been granted within the frame of an arrangement or a series of arrangements which, having been put into place for the main purpose or one of the main purposes of obtaining a tax advantage that defeats the object or purpose of the Parent–Subsidiary Directive, are not genuine having regard to all relevant facts and circumstances. An arrangement or a series of arrangements shall be regarded as not genuine to the extent that they are not put into place for valid commercial reasons which reflect economic reality.

Expenses, including interest expenses and impairments, in direct economic relation with the shareholding held by a resident corporate shareholder should not be deductible for income tax purposes up to the amount of any exempt dividend derived during the same financial year. Expenses exceeding the amount of the exempt dividend received from such shareholding during the same financial year should remain deductible for income tax purposes.

If the conditions of the Luxembourg participation exemption, as described above, are not met, 50% of the gross amount of dividends may however be exempt from corporate income tax in accordance with article 115 paragraph (15a) LITL if such dividends are received from the Company that is referred to in article 2 of the Parent-Subsidiary Directive. A tax credit may further be granted for German withholding taxes, provided it does not exceed the corresponding Luxembourg corporate tax on the dividends and other payments derived from German source income.

Liquidation proceeds

Liquidation proceeds when received are assimilated to a received dividend and may be exempt under the same conditions as above explained under "Dividends".

Capital gains

Capital gains realized by a Luxembourg fully-taxable resident company on the disposal of the Company’s shares are subject to income tax at ordinary rates, unless the conditions of the participation exemption are satisfied. Under the participation exemption, capital gains realized on the Company’s shares may be exempt from income tax at the level of the shareholder if cumulatively (i) the shareholder is a Qualified Parent, and (ii) at the time the capital gain is realized, the shareholder has held or commits to hold for an uninterrupted period of at least twelve months shares representing a direct participation of at least 10% in the share capital of the Company or a direct participation of an acquisition price of at least EUR 6 million. Taxable gains are determined as being the difference between the price for which the shares have been disposed of and the lower of their cost or book value.

Capital gains realized upon the disposal of shares should remain taxable for an amount corresponding to the sum of the expenses related to the shareholding and impairments recorded on the shareholding that reduced the taxable basis of the resident corporate shareholder in the year of disposal or in previous financial years.
For the purposes of the participation exemption explained above under "Dividends" and "Capital gains", shares held through a Luxembourg tax transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity. Whether a foreign entity can also be considered as tax transparent from a Luxembourg tax perspective for the purpose of this rule, needs to be analyzed on a case by case basis.

22.3.4 Luxembourg residents benefiting from a special tax regime

Shareholders, who are Luxembourg resident companies benefiting from a special tax regime, such as (i) an undertaking for collective investment governed by the law of 17 December 2010 (as amended), (ii) a specialized investment fund governed by the law of 13 February 2007 (as amended) or (iii) a family wealth management company governed by the law of 11 May 2007 (as amended) or (iv) a company governed by the law of 23 July 2016 on reserved alternative investment funds not having elected for the regime of investment company in risk capital as referred to in the law of 15 June 2004 on venture capital vehicles (as amended) are exempt from income tax in Luxembourg. Dividends and capital gains derived from the Company's shares are thus not subject to Luxembourg income tax in the hands of such shareholders.

22.4 Net Wealth Tax

Whilst non-resident corporate taxpayers may only be subject to net wealth tax on their Luxembourg wealth, resident corporate taxpayers are in principle subject to net wealth tax at the rate of 0.5% for net wealth up to EUR 500 million and at 0.05% for net wealth exceeding this threshold, unless a double tax treaty provides for an exemption or the asset may benefit from the Luxembourg participation exemption regime. Net worth is referred to as the unitary value (*valeur unitaire*), as determined at 1 January of each year. The unitary value is basically calculated as the difference between (a) assets estimated at their fair market value and (b) liabilities vis-à-vis third parties, unless one of the exceptions mentioned below are satisfied.

A resident corporate shareholder will be subject to net wealth tax on shares, except if the shareholder is (i) a resident individual taxpayer, (ii) an undertaking for collective investment subject to the law of 17 December 2010 (as amended), (iii) a securitization company governed by the law of 22 March 2004 (as amended), (iv) a company governed by the law of 15 June 2004 on venture capital vehicles (as amended), (v) a specialized investment fund governed by the law of 13 February 2007 (as amended) (vi) a pension-saving company as well as a pension-saving association, both governed by the law of 13 July 2005 (as amended) or (vii) a family wealth management company governed by the law of 11 May 2007 (as amended) or (vi) a company governed by the law of 23 July 2016 on reserved alternative investment funds. Under the participation exemption, a Qualified Shareholding held in the Company by a Qualified Parent or attributable to a Qualified Permanent Establishment may be exempt from net wealth tax.

A resident corporate shareholder may further be subject to either a minimum net wealth tax of EUR 4,815 or to a progressive minimum net wealth tax from EUR 535 to EUR 32,100, which depends on the total assets on their statement of financial position. The minimum net wealth tax of EUR 4,815 will be applicable for a resident corporate shareholder, which has a minimum of 90% of fixed financial assets, transferable securities and cash at bank on its statement of financial position, except if its accumulated fixed financial assets do in addition not exceed EUR 350,000, in which case it may benefit from the a minimum net wealth tax of EUR 535. Items (e.g. real estate properties or assets allocated to a permanent establishment) located in a treaty country, where the latter has the exclusive tax right, are not considered for the calculation of the 90% threshold.

A specialized investment fund governed by the law of 13 February 2007 (as amended) on specialized investment funds, or a family wealth management company governed by the law of 11 May 2007 (as amended) on family estate management companies, or an undertaking for collective investment governed by the law of 17 December 2010 (as amended) on undertakings for collective investment, or a reserved alternative investment fund governed by the law of 23 July 2016 which does not invest in risk capital is not subject to minimum net wealth tax.

22.5 Other Taxes

There is, in principle, no Luxembourg registration tax, stamp duty or other similar tax or duty payable by the shareholders in Luxembourg by reason only of the issuance or transfer of the Company's shares.

However a registration duty may be due in the case where (i) the deed acknowledging the issuance/disposal of shares is either attached (*annexé*) to a deed subject to a mandatory registration in Luxembourg (e.g. public deed) or lodged with a notary's records (*déposé au rang des minutes d'un notaire*), or (ii) in case of a registration of such deed on a voluntary basis.

Gift tax may be due on a gift or donation of the Company's shares, if the gift is recorded in a Luxembourg notarial deed or otherwise registered in Luxembourg.

22.6 Automatic exchange of information

The European Union Savings Directive (Council Directive 2003/48/EC) has been repealed as from 1 January 2016 to prevent overlap with a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the Field of Taxation as amended by Council Directive 2014/107/EU ("DAC II"). DAC II establishes the Common Reporting Standard ("CRS") and extends the automatic exchange of information. Relationships with non-EU countries are ruled by means of multilateral agreements. Luxembourg, as a European Union Member State, has implemented DAC II and CRS in its national legislation by the Law of 18 December 2015 (the "CRS Law"). This law is in force since 1 January ~~1,~~ 2016. The first report was due by 30 June 2017 with respect to the 2016 calendar year.

The CRS requires Luxembourg financial institutions to collect and report to the Luxembourg tax authorities' information on financial accounts held directly or indirectly, by account holders that are tax residents in a CRS jurisdiction. The Luxembourg tax authorities will in turn communicate this information to the tax authorities in the country or countries in which each account holder is tax resident.

Holders of Shares are hereby informed that the ownership of the Shares may be object of reporting under the CRS and the multilateral agreement entered into by Luxembourg.

23. Index to the financial statements

23.1. Financial statements of STS Group AG according to HGB as of 31 December 2017 (audited)

23.2 Consolidated financial statements of STS Group AG according to IFRS as of 31 December 2017 including consolidated statement of changes in equity and consolidated cash flow statement (audited)~~;~~

23.3 Consolidated financial statements of STS Group AG according to IFRS as of 31 December 2016 including consolidated statement of changes in equity and consolidated cash flow statement (audited)

23.4 Financial statements of STS Group AG according to HGB as of 31 December 2015 including statement of changes in equity and cash flow statement (audited)

23.5 Pro forma consolidated financial information for the financial year 2017 including auditor's report

23.1 *Financial statements of STS Group AG according to HGB as of 31 December 2017 (audited)*

Balance sheet as of 31 December 2017

Assets

			31.12.2017	31.12.2016
			€	**€**
A.	**Fixed assets**			
	I.	Intangible assets Concessions, industrial and similar rights and assets and licenses in such rights and assets	275.031,71	0,00
	II.	Tangible assets		
		Other equipment, factory and office equipment	172.806,00	0,00
	III.	Financial assets		
		1. Shares in affiliated companies	5.651.320,89	1.675.001,00
		2. Loans to affiliated companies	7.622.980,16	0,00
			13.274.301,05	1.675.001,00
			13.722.138,76	**1.675.001,00**
B.	**Current assets**			
	I.	Receivables and other assets		
		1. Receivables from affiliated companies	7.058.775,59	1.806.235,00
		(of which are owing from shareholders)	*5.000.000,00*	*0,00*
		2. Other assets	152.699,87	28,34
			7.211.475,46	1.806.263,34
	II.	Cash and cash equivalents	990.695,35	2.220,55
			8.202.170,81	**1.808.483,89**
C.	**Prepaid expenses**		**53.995,72**	**0,00**
			21.978.305,29	**3.483.484,89**

Equity and liabilities				
			31.12.2017	**31.12.2016**
			€	**€**
A.	**Equity**			
	I.	Subscribed capital	50.000,00	50.000,00
	II.	Capital reserve	1.590.000,00	1.590.000,00
	III.	Revenue reserve Legal reserve	5.000,00	5.000,00
	IV.	Accumulated losses/retained profits carried forward	-523.189,87	1.724.648,83
			1.121.810,13	**3.369.648,83**
B.	**Provisions**			
	1.	Provisions for taxation	16.849,00	0,00
	2.	Other provisions	580.400,00	1.002,85
			597.249,00	**1.002,85**
C.	**Liabilities**			
	1.	Trade payables	1.062.567,97	55.880,94
	2.	Liabilities to affiliated companies	19.028.769,07	56.952,27
		(of which are owing to shareholders)	*0,00*	*56.952,27*
	3.	Other liabilities	167.909,12	0,00
		(of which relate to taxes)	*44.872,46*	*0,00*
		(of which relate to social security)	*788,53*	*0,00*
			20.259.246,16	**112.833,21**
			21.978.305,29	**3.483.484,89**

Income statement for the financial year from 1 January to 31 December 2017

	1.1. - 31.12.2017	1.1. - 31.12.2016
	€	€
1. Revenues	3.285.566,10	0,00
2. Other operating income	17.061,07	641,49
3. Personnel expenses		
a) Wages and salaries	-1.245.260,73	0,00
b) Social security, post-employment and other employee benefit costs	-74.582,25	0,00
(of which relate to pension costs)	*-7.431,00*	*0,00*
4. Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	-31.646,89	0,00
5. Other operating expenses	-2.273.956,91	-62.219,58
6. Income from long-term equity investments	0,00	1.806.235,00
(of which from affiliated companies)	*0,00*	*1.806.235,00*
7. Other interest and similar income	173.017,06	0,00
(of which from affiliated companies)	*173.017,06*	*0,00*
8. Interest and similar expenses	-370.945,15	-2.770,15
(of which relate to affiliated companies)	*-370.945,15*	*-2.770,15*
9. Taxes on income	-16.849,00	0,00
10. Profit after taxes on income	**-537.596,70**	**1.741.886,76**
11. Other taxes	-242,00	0,00
12. Net loss/net income for the year	**-537.838,70**	**1.741.886,76**
13. Retained profits/accumulated losses brought forward	14.648,83	-12.237,93
14. Appropriation to legal reserve	0,00	-5.000,00
15. Accumulated losses/retained profits carried forward	**-523.189,87**	**1.724.648,83**

STS Group AG
Hallbergmoos

Notes to the annual financial statements as of December 31, 2017

1. General disclosures

STS Group AG, Hallbergmoos, is registered at the registry court of the Local Court of Munich under commercial register number HRB 231926.

The annual financial statements as of December 31, 2017 for the fiscal year from January 1 to December 31, 2017 were prepared in line with the accounting provisions of German GAAP (HGB) and the provisions of the German Stock Corporation Act (AktG).

The Company is a micro corporation ("Kleinstkapitalgesellschaft") within the meaning of Section 267a (1) HGB. The simplifications provided for micro corporations were partly utilized in the preparation of the notes to the annual financial statements. Certain disclosures have not been applied in the notes to the financial statements.

2. Accounting policies

Intangible assets are recognized at cost less amortization. The amortization is recognized on a straight-line basis within the periods permitted by accounting and tax law. Changes in normal operating useful lives, which are the basis for scheduled amortization, and expected permanent impairment, require non-scheduled amortization.

Tangible assets are recognized at cost less depreciation. The depreciation is recognized on a straight-line and diminishing-balance basis within the periods permitted by accounting and tax law. Changes in normal operating useful lives, which are the basis for scheduled depreciation, and expected permanent impairment, require non-scheduled depreciation.

Movable fixed assets up to a value of EUR 410.00 (low-value assets) are written down in full in the year of acquisition.

Financial assets are valued at acquisition cost (shares in affiliated companies) and nominal values (loans to affiliated companies) and if necessary reduced by impairment losses.

Receivables and other assets are recognized at the lower of nominal value or fair value.

Cash and cash equivalents are carried at nominal value.

Prepaid expenses are carried at nominal value.

The **subscribed capital** is recognized at nominal amount.

Other provisions take into account uncertain liabilities and anticipated losses from pending transactions at their settlement amounts as required to reasonable commercial judgement, whereby any future price and cost increases are considered. **Liabilities** are recognized at settlement amount.

3. Balance sheet disclosures

Receivables from affiliated companies amount to EUR 7,058,775.59 (previous year: EUR 1,806,235.00), of which EUR 5,000,000.00 (previous year: EUR 0.00) relates to a short term loan to its shareholder, EUR 858,775.59 (previous year: EUR 1,806,235.00) relates to trade receivables and EUR 1,200,000.00 (previous year: EUR 0.00) relates to short term loans. **Receivables and other assets** with a remaining term of more than one year amount to EUR 48,000.00 (previous year: EUR 0.00).

Liabilities to affiliated companies amount to EUR 19,028,769.07 (previous year: EUR 56,952.97), of which EUR 0.00 (previous year: EUR 56,952.27) relates to liabilities to its shareholder, EUR 929,636.72 (previous year: EUR 0.00) relates to trade payables and EUR 18,099,132.35 (previous year: EUR 0.00) relates to short-term loans. **Liabilities** with a remaining term of less than one year amount to EUR 20,259,246.16 (previous year: EUR 112,833.21).

The Board of Management proposed to the Supervisory Board to pay out EUR 1,710,000.00 (EUR 34.20 per share entitled to dividend) of the retained earnings and to carry the remainder of EUR 14,648.83 forward as retained earnings. At the Annual General Meeting it was unanimously decided to distribute EUR 1,710,000.00 of the retained earnings as a dividend and to carry the remainder of EUR 14,648.83 forward as retained earnings.

4. Other disclosures

4.1. Employees

The average number of employees in the Company during the fiscal year was four.

4.2. Other financial obligations

Other financial obligations total EUR 516,698.00 (previous year: EUR 0.00) from long-term leases.

4.3. Liability obligations

STS Group AG bears unlimited liability for any customer warranty claims against direct subsidiaries.

For financing an acquisition STS Group AG takes over a joint and several liability for a bank loan of a subsidiary.

4.4. Dependent company report

The Management Board has compiled a report on relationships with affiliated companies in accordance with Section 312 AktG with the following conclusion:

After extensive examination, the Management Board has come to the conclusion that, with respect to the transactions and measures listed and according to the circumstances known at the time, the Company received appropriate compensation for every transaction and was not disadvantaged by any measures performed or omitted.

4.5. Group affiliation

The Company is consolidated as a full subsidiary in the consolidated financial statements of mutares AG, Munich, which are published in the Federal Gazette.

Hallbergmoos, April 10, 2018

....
Andreas Becker

....
Stephan Vrublovsky

....
Patrick Oschust

INDEPENDENT AUDITOR'S REPORT

To STS Group AG, Hallbergmoos

Opinion

We have audited the annual financial statements of STS Group AG, Hallbergmoos (the "Company"), which comprise the balance sheet as at December 31, 2017, the income statement for the financial year from January 1 to December 31, 2017 and the notes to the annual financial statements, including the recognition and measurement policies presented therein.

In our opinion, the accompanying annual financial statements give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2017 and of its financial performance for the financial year from January 1 to December 31, 2017 in compliance with German Legally Required Accounting Principles.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the annual financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements of the German professional provisions that are relevant to our audit of the annual financial statements in Germany, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the annual financial statements

Management is responsible for the preparation of annual financial statements that give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless, provided no actual or legal circumstances conflict therewith.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Munich, 10 April 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dietmar Eglauer	ppa. Christoph Tübbing
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

23.2 Consolidated financial statements of STS Group AG according to IFRS as of 31 December 2017 including consolidated statement of changes in equity and consolidated cash flow statement (audited)

Consolidated statement of profit or loss

For the year ended 31 December 2017

kEUR	Note	2017	2016
Revenues	5.1	309,993	136,159
Increase or decrease of finished goods and work in progress		2,450	-1,276
Other operating income	5.2	55,735	5,597
Material expenses	5.3	-190,555	-85,188
Personnel expenses	5.4	-75,619	-33,304
Depreciation and amortization expenses	5.5	-8,177	-2,536
Other operating expenses	5.6	-46,967	-10,610
Interest and similar income	5.7	56	1
Interest and similar expenses	5.7	-3,072	-867
Income before income tax expense		**43,844**	**7,976**
Income tax expense	5.8	3,121	-472
Income after income tax expense		**46,965**	**7,504**
Thereof attributable to owners of STS Group AG		46,965	7,504
Earnings per share in EUR (basic)	5.9	**0.94**	**0.15**
Earnings per share in EUR (diluted)	5.9	**0.94**	**0.15**

Consolidated statement of comprehensive income

For the year ended 31 December 2017

kEUR	Note	2017	2016
Income after income tax expense		**46,965**	**7,504**
Currency translation differences		-610	0
Items that may be reclassified subsequently to profit or loss		-610	0
Remeasurements of defined benefit plans, net of tax	6.14.1	-272	-86
Items that will not be reclassified to profit or loss		-272	-86
Other comprehensive income, net of income taxes		-882	-86
Total comprehensive income		**46,083**	**7,418**
Thereof attributable to owners of STS Group AG		46,083	7,418

Consolidated statement of financial position

As of 31 December 2017

kEUR	Note	31 December 2017	31 December 2016
ASSETS			
Intangible assets	6.1	24,567	4,856
Property, plant and equipment	6.2	79,049	29,103
Other financial assets	6.3	267	142
Income tax receivables	6.4	1,579	296
Other non-financial assets	6.5	768	453
Deferred tax assets	6.6	8,564	755
Non-current assets		**114,794**	**35,605**
Inventories	6.7	28,124	13,204
Trade and other receivables	6.8	99,335	34,354
Other financial assets	6.9	13,051	1,865
Other non-financial assets	6.10	3,813	880
Cash and cash equivalents	6.11	15,836	2,608
Current assets		**160,159**	**52,911**
Total assets		**274,953**	**88,516**
EQUITY AND LIABILITIES			
Share capital		50	50
Capital reserve		1,615	1,594
Retained earnings		59,802	14,547
Other reserves		-801	82
Equity attributable to owners of STS Group AG	6.12	60,666	16,273
Total equity		**60,666**	**16,273**
Trade payables		642	517
Other financial liabilities	6.13	17,127	15,382
Provisions	6.14	21,116	10,962
Deferred tax liabilities	6.6	6,982	2,590
Non-current liabilities		**45,867**	**29,451**
Trade payables	6.15	65,464	28,183
Other financial liabilities	6.16	63,995	5,023
Provisions	6.14	3,397	246
Income tax liabilities	6.17	1,673	0
Other non-financial liabilities	6.18	33,891	9,340
Current liabilities		**168,420**	**42,792**
Total equity and liabilities		**274,953**	**88,516**

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Attributable to shareholders of STS Group AG							
	Number of shares	Share capital	Capital reserve	Retained earnings	*Remeasuring gains/losses*	*Foreign currency translation*	Other reserves	Total equity
kEUR								
Balance at 1 January 2016	**50,000**	**50**	**15**	**7,043**	*168*	***0***	**168**	**7,276**
Capital increase, cash-based			1,575				0	**1,575**
Equity-settled share-based payment			4				0	**4**
Income after income tax expense				7,504			0	**7,504**
Other comprehensive income					*-86*		-86	**-86**
Balance at 31 December 2016	**50,000**	**50**	**1,594**	**14,547**	*82*	***0***	**82**	**16,273**
Equity-settled share-based payment			21				0	**21**
Income after income tax expense				46,965			0	**46,965**
Dividends paid				-1,710			0	**-1,710**
Other comprehensive income					*-272*	*-610*	-883	**-883**
Balance at 31 December 2017	**50,000**	**50**	**1,615**	**59,802**	***-190***	***-610***	**-801**	**60,666**

Consolidated statement of cash flows

For the year ended 31 December 2017

kEUR	Note	2017	2016
Cash flows from operating activities			
Income after income tax expense		**46,965**	**7,504**
Changes in			
Inventories		-2,623	1,097
Trade receivables		-15,603	-3,118
Other receivables		-10,449	-1,899
Trade payables		11,195	3,428
Other liabilities		3,457	-6,324
Provisions		-1,685	2,614
Adjustments for			
Bargain purchase gain from business combination	*5.2*	-46,957	-5,250
Loss on disposal of property, plant and equipment		146	-7
Depreciation of property, plant and equipment		6,105	2,425
Amortization of intangible assets		2,072	111
Other non-cash income and expenses		260	-82
Currency translation		-531	0
Income taxes paid		-913	-559
Income tax expense		-3,121	472
Net interest expense		3,016	866
Net cash flows from operating activities		**-8,667**	**1,278**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		186	27
Proceeds from sale of intangible assets		387	0
Disbursements for acquisition of a business, net of cash acquired	7	-5,767	-4,134
Disbursements for investments in property, plant and equipment	*7*	-9,593	-5,974
Disbursements for investments in intangible assets		-2,443	-224
Net cash flows from investing activities		**-17,230**	**-10,305**
Cash flows from financing activities			
Proceeds from share premium reserves		0	1,575
Dividends paid		-1,710	0
Proceeds from borrowings		8,565	12,160
Repayments of borrowings		-2,853	-2,626
Proceeds from factoring	7	36,437	0
Interest paid		-1,256	-727
Interest received		22	1
Net cash flows from financing activities		**39,204**	**10,383**
Effect of currency translation on cash and cash equivalents		***-80***	**0**
Net increase/decrease in cash and cash equivalents		**13,228**	**1,356**
Cash and cash equivalents at the beginning of the period		**2,608**	**1,252**
Cash and cash equivalents at the end of the period		**15,836**	**2,608**

Notes to the consolidated financial statements

1 General information

STS Group AG (the **Company**) is incorporated under German law with its registered office in Hallbergmoos, Germany. STS Group AG is entered in the commercial register of the local court of Munich, Germany, under number HRB 231926. The Company's address is Zeppelinstraße 4, Hallbergmoos, Germany.

Until 9 March 2017, the Company traded under the name mutares Holding-17 AG and was based in Weißenberg, Germany.

Ultimate parent company of the Company as of 31 December 2017 is mutares AG, Munich, Germany.

The Company is the parent company of a group of entities (the **Group**) with business operations in the automotive supplier industry. The Group operates in the area of NVH (Noise, Vibration, Harshness) by optimizing the vibro-acoustic performances of vehicles. Furthermore the Group produces plastic components mainly for commercial vehicles. The product portfolio covers internal components such as cooling boxes or shelf elements as well as external components such as bumpers or side panels. In addition to that the Group engages in the area of mixed composites recyclables by producing sheet molding compound rolls representing starting material for plastic components.

2 Basis of preparation

The 2017 consolidated financial statements of the Company, comprising the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows and supplementary notes, were prepared according to the International Financial Reporting Standards (IFRS) as applicable in the European Union, as well as with the supplementary commercial law regulations of Article 315e (3) of the German Commercial Code (HGB). The term IFRS also refers to all valid International Accounting Standards (IAS) and all interpretations and amendments of the International Financial Reporting Standards Interpretations Committee (IFRS IC) - formerly International Financial Reporting Interpretations Committee (IFRIC) - and the former Standing Interpretations Committee (SIC).

The consolidated financial statements were prepared on the basis of historical cost, except derivative financial instruments, available for sale securities and share-based payments, which were measured at fair value.

Notes to the consolidated financial statements (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions (e.g. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2: Inputs other than quoted prices from Level 1 that are directly observable or can be indirectly derived for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability.

As a rule, the Group classifies assets and liabilities as current if they are expected to be realized or settled within twelve months after the end of the reporting period. If assets and liabilities have both current and non-current components, they are broken down into these different components and recognized as current and non-current assets or liabilities according to the structure of the statement of financial position.

The consolidated income statement is prepared in line with the nature of expense method. The Company prepares and publishes the consolidated financial statements in euros (EUR). Unless otherwise indicated, all values are rounded to the nearest thousand euros (kEUR). Deviations of up less than one unit (kEUR, %) are mathematical rounding differences.

All IAS/IFRS (International Accounting Standards/International Financial Reporting Standards) whose application was mandatory for 31 December 2017 and all SIC/IFRIC (Standing Interpretations Committee/International Financial Reporting Interpretations Committee) interpretations approved by the European Union and effective as of 31 December 2017 were complied with.

3 Scope of consolidation

3.1 Fully consolidated entities

In 2017, the Company's scope of consolidation comprised the parent company plus 13 (2016: six) fully consolidated entities. Besides the parent company, two other companies were based in Germany and eleven (2016: six) were based abroad.

Notes to the consolidated financial statements (continued)

As of 31 December 2017, the scope of consolidation comprised the parent company and the following fully consolidated entities:

Company	Domicile	Ownership interest % 31 December 2017	Ownership interest % 31 December 2016
STS Acoustics S.p.A.	Italy	100	100
STS Real Estate S.R.L.	Italy	100	100
STS Acoustics Poland sp. z o.o.	Poland	100	100
STS Plastics S.A.S.	France	100	100
STS Plastics Holding S.A.S.	France	100	100
STS MCR Holding S.A.S.	France	100	100
STS Composites France S.A.S.	France	100	-
MCR S.A.S.	France	100	-
STS Composites Germany GmbH	Germany	100	-
Inoplast Trucks Mexico S.A. de C.V.	Mexico	100	-
STS Plastics Co., Ltd.	China	100	-
STS Brazil Holding GmbH	Germany	100	-
Minas Têxteis - Fabricação de Peças e Partes Automotivas Ltda.	Brazil	100	-

3.2 Changes in the scope of consolidation

For changes in the scope of consolidation please see note 4 for acquisitions in the reporting period.

4 Business combinations

4.1 Acquisition of Minas Têxteis Ltda.

As of 30 September 2017 the Group acquired 100.0% of shares in Minas Têxteis - Fabricação de Peças e Partes Automotivas Ltda., Betim / Minas Gerais, Brazil which produces soft trim products for eight platforms of one OEM. The major product groups comprise Trunk Side Trim, Inner Dashes and Floor Insulators. The acquisition was completed via a holding company in Germany (STS Brazil Holding GmbH).

At acquisition date the fair value of consideration paid amounted to kEUR 2.684. The acquisition was structured as a share deal with five annual payments of kEUR 537 in addition to interest of 5% p.a.. As agreed with the seller the consideration paid is made up of five payments to occur on a yearly basis on the anniversary of the closing on 30 September from 2018 to 2022. On an undiscounted basis the amounts due are: kEUR 537 (2018), kEUR 537 (2019), kEUR 592 (2020), kEUR 622 (2021) and kEUR 653 (2022) respectively. Acquisition costs amounting to kEUR 400 related to the transaction are expensed in other operating expenses.

Notes to the consolidated financial statements (continued)

The following table summarizes the result of the purchase price allocation and the calculation of the gain from a bargain purchase, which was recognized in other operating income.

kEUR	Fair Value
Land and buildings	3,485
Technical equipment and machinery	3,932
Other non-current assets	172
Non-current assets	**7,589**
Inventory	250
Trade and other receivables	793
Other current assets	924
Current assets	**1,967**
Deferred tax liabilities	-1,003
Non-current liabilities	**-1,003**
Current liabilities	**-877**
Net assets	**7,676**
Bargain purchase gain	**4,992**
Total purchase consideration	**2,684**

Other current assets include cash acquired in the amount of kEUR 764.

As a result of the acquisition no significant onerous contracts or liabilities were acquired.

The gain from a bargain purchase does mainly derive to the circumstances of the sell-side that sold the business in the wake of the economic crisis in Brazil in an effort to concentrate on core business in order to refocus and reposition itself strategically.

Even though it generated negative results in the past two years STS considers the business as attractive as it represents an ideal supplement to further expansion of its acoustics business and an entry into the South American automotive market. Its recovery already lead to increased sales in 2017. STS will invest in the future set up, organization and extension of the business acquired.

The consolidated financial statements 2017 include kEUR 1,786 in revenues and income after taxes in the amount of kEUR -123 resulting from the acquired entity.

If Minas Têxteis - Fabricação de Peças e Partes Automotivas Ltda. had been acquired on 1 January 2017 the business would have contributed for the twelve months of 2017 to revenue kEUR 7,237 and to income after income tax expense kEUR 203.

Notes to the consolidated financial statements (continued)

4.2 Dolmen acquisition

As of 30 June 2017 the Group acquired all shares in STS Composites France S.A.S., Lyon / France (prior to its change in name: Inoplast Truck S.A.S.), MCR S.A.S., Lyon / France, STS Composites Germany GmbH, Munich / Germany (prior to its change in name: Inoplast Trucks GmbH), Inoplast Trucks S.A. de C.V., Ramos Arizpe / Mexico, and STS Plastics Co., Ltd., Jiangyin / China (all five legal entities together the "Dolmen Acquisition"). The acquired group of entities is active in the field of molding compound technology producing exterior parts for trucks and passenger cars. The consideration was paid in cash. The transaction closed on 30 June 2017 (the "Acquisition").

At acquisition date the fair value of the consideration paid (preliminary) amounted to kEUR 10,630. Acquisition costs related to the transaction amounting to kEUR 814 are expensed in other operating expenses.

Subject to an ongoing dispute with the seller on the interpretation of certain elements of the agreement and the final purchase price, the initial purchase price allocation and accounting for this acquisition is deemed incomplete.

The following table summarizes the result of the purchase price allocation and the calculation of the gain from a bargain purchase, which was recognized in other operating income.

Notes to the consolidated financial statements (continued)

kEUR	Fair Value
Intangible assets	19,420
Land and buildings	20,098
Technical equipment and machinery	20,091
Other non-current assets	3,701
Deferred tax assets	
Non-current assets	**63,310**
Inventory	12,047
Trade and other receivables	48,871
Other current assets	7,703
Current assets	**68,621**
Other non-current liabilities	-13,911
Deferred tax liablities	-2,878
Non-current liabililties	**-16,789**
Current liabililties	**-62,547**
Net assets	**52,595**
Bargain purchase gain	**41,965**
Total purchase consideration	**10,630**

Intangible assets acquired comprises mainly of customer relationships and technology. The customer relationships represent relationships to the external customer bases of Mixt Composites Recyclables, France, and Inoplast Truck S.A., Mexico. Their fair values amount to kEUR 7,059. The fair value of technologies amounts to kEUR 11,600 and relates to the know-how on composite compounding.

Other current assets include cash acquired in the amount of kEUR 4,099.

The gain from a bargain purchase does mainly result from the efforts of the sell-side to reposition and refocus itself strategically by disposing of its commercial vehicle business. With this strategic move the sell-side intends to refocus in terms of technology and products. The sell-side's truck part business was identified as non-core within Plastic Omnium, also due to relatively low margins as compared to the remaining business units of Plastic Omnium. The Group sees its opportunities in the Group's specific operational excellence competence that will be applied to the Dolmen entities in order to leverage opportunities to increase margins.

The consolidated financial statements 2017 include kEUR 102,387 in revenues and income after taxes in the amount of kEUR 4,944 resulting from the acquired entities.

Notes to the consolidated financial statements (continued)

If the Dolmen entities had been acquired on 1 January 2017 the business would have contributed for the twelve months of 2017 to revenue kEUR 212,168 and to income after income tax expense kEUR 10,021.

5 Notes to the consolidated statement of profit or loss

5.1 Revenues

The revenues generated can be broken down into business units as follows:

kEUR	2017	2016
Plastics	162,856	0
Acoustics	132,635	136,159
Materials	14,502	0
Revenues	**309,993**	**136,159**

Revenue development by region and product group is described in the segment reporting in accordance with IFRS 8.

5.2 Other operating income

kEUR	2017	2016
Bargain purchase gain	46,957	5,250
Income from tax indemnification claim	7,102	0
Income from other services	452	142
Income from raw material and waste recycling	336	107
Capitalized self-produced assets	372	0
Income from the reversal of valuation allowances on receivables	66	0
Income from the disposal of fixed assets	40	7
Income from exchange rate differences	104	15
Non-periodic income	0	2
Miscellaneous other operating income	306	74
Other operating income	**55,735**	**5,597**

For details on the income from tax indemnification claim see note 6.9.

Other capitalized self-produced assets relate to the capitalization of expenses incurred in connection with the development of molds and tooling.

For information on the bargain purchase gain see note 4.

5.3 Material expenses

kEUR	2017	2016
Cost of raw materials, consumables and supplies	162,036	71,371
Cost of purchased services	28,519	13,817
Material expenses	**190,555**	**85,188**

Notes to the consolidated financial statements (continued)

5.4 Personnel expenses

kEUR	2017	2016
Wages and salaries	55,714	24,201
Social security	17,975	7,408
Pension contributions	1,930	1,695
Personnel expenses	**75,619**	**33,304**

In the current reporting period and in 2016, expenses were recognized for defined contribution pension plans, especially statutory pensions insurance (see note 6.14.1 for details.

5.5 Depreciation and amortization expenses

In the reporting period depreciation and amortization comprise of amortization of intangible assets in the amount of kEUR 2,072 (2016: kEUR 111) and depreciation of property, plant and equipment in the amount of kEUR 6,105 (2016: kEUR 2,425).

5.6 Other operating expenses

kEUR	2017	2016
Packaging materials and outgoing freight	8,617	2,849
Legal and consulting costs	6,954	1,744
Rental and leasing	4,353	973
Occupancy costs	2,743	1,315
VAT prior years	2,197	0
Tax penalties	2,075	0
Fleet	729	600
Advertising and travel expenses	1,756	554
Maintenance and repairs	6,075	516
Administration	1,345	466
Losses from the disposal of assets	168	0
Additions to allowances on receivables	740	245
Base levies and other taxes	1,614	236
Insurance premiums	505	175
Warranties	563	11
Fees and contributions	248	123
Occupational health and safety	311	179
Research and development expenses	180	0
Services received from related parties	4,800	0
Low-value assets	297	0
Expenses from foreign currency translation	133	0
Miscellaneous expenses	564	624
Other operating expenses	**46,967**	**10,610**

For details on VAT prior years and tax penalties see note 6.9.

For details on services received from related parties see note 16.1.

Notes to the consolidated financial statements (continued)

5.7 Interest and similar income and expenses

kEUR	2017	2016
Miscellaneous interest and similar income	56	1
Interest and similar income	**56**	**1**
Interest expense from banks/lenders	580	238
Interest expense from factoring	496	313
Interest expense from discounting provisions	650	285
Miscellaneous interest and similar expenses	1,346	31
Interest and similar expenses	**3,072**	**867**

The interest expense from discounting provisions entails the interest expense relating to pensions.

In the reporting period miscellaneous interest and similar expenses mainly comprise of interest on tax audit liabilities (kEUR 1,158; 2016: kEUR Nil). For details see note 6.9.

5.8 Income tax expense

kEUR	2017	2016
Current income tax expense for the year	-1,611	-690
Adjustments for income tax expense of prior periods	-1,673	0
Current income tax expense	**-3,284**	**-690**
Deferred income tax income	**6,405**	**218**
Income tax expense	**3,121**	**-472**

The following table shows the tax rate reconciliation of the expected tax expense and the respective disclosed tax expense in each FY. With respect to the actual tax rate in Germany that applies to the consolidated results taking into account a corporate tax rate of 15.0% (2016: 15.0%) plus the solidary surcharge of 5.5% of the tax due and trade income tax of 11.2% (2016: 11.2%) the total tax rate amount to 27.03% (prior year: 27.03%).

kEUR	2017	2016
Income before income tax expense	**43,844**	**7,976**
Weighted average tax rate (in %)	27.0%	27.0%
Tax expense at the weighted average tax rate	**-11,851**	**-2,156**
Causes of surplus amount/ deficit:		
Usage of unrecognized loss carryforwards	717	1,577
Effects from changes in unrecognized deferred taxes on temporary differences and tax loss carryforwards	4,168	-90
Other non tax-deductible expenses including withholding tax	-683	-745
Tax effect from gain of bargain purchase	12,692	1,418
Tax-rate differences	-641	-460
Tax-exempt income	452	0
Additional payment of taxes and refunds from previous years	-1,672	0
Other effects	-61	-16
Reported income tax expense	**3,121**	**-472**

Notes to the consolidated financial statements (continued)

With respect to IAS 12.47, the deferred tax assets and liabilities need to be evaluated by considering the actual tax rates of the period in which the temporary differences will be reversed. Thereby the tax rates which are valid or announced at the reporting date apply.

The applicable tax rates of the group companies vary between 19% and 34% (previous year: 19% and 33.4%).

5.9 Earnings per share

		2017	2016
Income after income tax expense attributable to owners of STS Group AG	kEUR	46,965	7,504
Weighted average number of ordinary shares to calculate earnings per share			
Basic	Number	50,000	50,000
Diluted	Number	50,000	50,000
Earnings per share			
Basic	€	0.94	0.15
Diluted	€	0.94	0.15

Notes to the consolidated financial statements (continued)

6 Notes to the statement of financial position

6.1 Intangible assets

kEUR	Internally generated intangible rights and assets	Software	Patents, concessions, other rights	Prepayments and intangible assets under development	Total
Historical cost					
Balance as of 1 January 2016	**182**	**154**	**2**	**0**	**338**
Acquisitions through business combinations	0	2	4,534	0	4,536
Additions	0	224	0	0	224
Balance as of 31 December 2016	**182**	**380**	**4,536**	**0**	**5,098**
Acquisitions through business combinations	0	59	19,361	0	19,420
Reclassifications	0	51	47	0	98
Additions	0	1,691	436	316	2,443
Disposals	0	0	-87	-126	-213
Balance as of 31 December 2017	**182**	**2,181**	**24,292**	**190**	**26,846**

kEUR	Internally generated intangible rights and assets	Software	Patents, concessions, other rights	Prepayments and intangible assets under development	Total
Cumulative amortization and impairment					
Balance as of 1 January 2016	**-50**	**-81**	**0**	**0**	**-131**
Amortization	-37	-74	0	0	-111
Balance as of 31 December 2016	**-87**	**-155**	**0**	**0**	**-242**
Amortization	-36	-148	-1,888	0	-2,072
Disposals	0	0	36	0	36
Balance as of 31 December 2017	**-123**	**-303**	**-1,852**	**0**	**-2,278**
Net carrying amounts					
As of 1 January 2016	132	73	2	0	207
As of 31 December 2016	95	225	4,536	0	4,856
As of 1 January 2017	95	225	4,536	0	4,856
As of 31 December 2017	59	1,878	22,440	190	24,567

Net carrying amounts of patents, concessions, other rights mainly comprise of customer relationships (31 December 2017: kEUR 10,641; 31 December 2016: kEUR 4,531) and technologies (31 December 2017: kEUR 10,750; 31 December 2016: kEUR Nil).

Below table shows details of the development of customer relationships and technologies:

Notes to the consolidated financial statements (continued)

kEUR	Customer relationships	Technologies
Historical cost		
Balance as of 1 January 2016	**0**	**0**
Acquisitions through business combinations	4,531	0
Balance as of 31 December 2016	**4,531**	**0**
Acquisitions through business combinations	7,059	11,600
Balance as of 31 December 2017	**11,590**	**11,600**
Cumulative amortization and impairment		
Balance as of 1 January 2016	**0**	**0**
Amortization	0	0
Balance as of 31 December 2016	**0**	**0**
Amortization	-949	-850
Balance as of 31 December 2017	**-949**	**-850**

For details on the additions due to acquisitions through business combinations relate to the respective business combinations described in note 4.

The amortization of kEUR 2,072 (2016: kEUR 111) was recognized in the consolidated statement of profit or loss under depreciation and amortization. No impairment losses or reversals of impairment losses were recognized in the periods shown.

Currently the Group has no intangible assets with indefinite useful lives.

Notes to the consolidated financial statements (continued)

6.2 Property, plant and equipment

kEUR	Land and buildings	Technical equipment and machinery	Operating and office equipment	Advance payments and assets under development	Total
Historical cost					
Balance as of 1 January 2016	**8,980**	**95,062**	**3,287**	**0**	**107,329**
Acquisitions through business combination	5,400	3,219	103	0	8,722
Additions	3,858	1,858	17	240	5,973
Disposals	0	-4,054	-446	0	-4,500
Balance as of 31 December 2016	**18,238**	**96,085**	**2,961**	**240**	**117,524**
Acquisitions through business combination	23,583	18,035	1,133	4,857	47,607
Reclassifications	674	3,025	115	-3,912	-98
Additions	162	6,329	486	2,616	9,593
Disposals	0	-1,664	-95	-217	-1,976
Exchange rate differences	-212	-291	-13	-1	-517
Balance as of 31 December 2017	**42,445**	**121,519**	**4,587**	**3,583**	**172,133**

kEUR	Land and buildings	Technical equipment and machinery	Operating and office equipment	Advance payments and assets under development	Total
Cumulative depreciation					
Balance as of 1 January 2016	**-662**	**-86,657**	**-3,158**	**0**	**-90,477**
Depreciation	-230	-2,147	-48	0	-2,425
Disposals	0	4,035	446	0	4,480
Balance as of 31 December 2016	**-892**	**-84,769**	**-2,760**	**0**	**-88,422**
Depreciation	-1,061	-4,792	-252	0	-6,105
Disposals	0	1,344	91	0	1,435
Exchange rate differences	2	7	0	0	9
Balance as of 31 December 2017	**-1,951**	**-88,210**	**-2,921**	**0**	**-93,084**
Net carrying amounts					
As of 1 January 2016	8,318	8,405	129	0	16,852
As of 31 December 2016	17,346	11,316	201	240	29,103
As of 1 January 2017	17,346	11,316	201	240	29,103
As of 31 December 2017	40,494	33,309	1,666	3,583	79,049

For details on the additions due to acquisitions through business combinations relate to the respective business combinations described in note 4.

The depreciation on property, plant and equipment of kEUR 6,105 (2016: kEUR 2,425) was recognized in the consolidated statement of profit or loss under depreciation and amortization.

No impairment losses or reversals of impairment losses were recognized on property, plant and equipment in the periods shown.

Notes to the consolidated financial statements (continued)

Property, plant and equipment includes leased technical equipment and machinery with carrying amount totaling kEUR 1,098 (2016: Nil). Due to the form of the underlying finance leases, these tangible assets are attributable to STS in its capacity as the economic owner of the assets.

6.3 Other non-current financial assets

The other non-current financial assets of kEUR 267 (2016: kEUR 142) relate primarily to security deposits.

6.4 Non-current income tax receivables

As of the reporting date income tax receivables mainly relate to STS Composites France S.A.S. (31 December 2017: kEUR 1,399; 31 December 2016: kEUR Nil). The non-current income tax receivables as of 31 December 2016 relate to STS Acoustics S.p.A.

6.5 Other non-current non-financial assets

kEUR	31 December 2017	31 December 2016
VAT receivables	68	29
Other tax refund claims	459	312
Advance payments on salaries	117	40
Miscellaneous	124	72
Other non-current non-financial assets	**768**	**453**

6.6 Deferred tax assets and liabilities

The total amount of deferred tax assets and liabilities results from the following items:

kEUR	31 December 2017		31 December 2016	
	DTA	DTL	DTA	DTL
Intangible assets	319	4,595	153	1,509
Tangible assets	1,908	3,180	40	1,062
Other non-current financial assets	0	14	0	0
Inventories	338	0	0	20
Trade and other receivables	403	0	159	19
Other current assets	5	0	0	0
Provisions for pensions and similar obligations	2,635	0	193	0
Other long term provisions	451	2,059	83	1,160
Other short term provisions and liabilities	355	0	0	0
Trade payables	0	0	4	0
Loss carryforwards	5,016	0	1,303	0
Deferred taxes before netting out	**11,430**	**9,848**	**1,935**	**3,770**
Netting out	-2,866	-2,866	-1,180	-1,180
Deferred taxes netted	**8,564**	**6,982**	**755**	**2,590**

Notes to the consolidated financial statements (continued)

In general, deferred tax assets for deductible temporary differences as well as tax loss carryforwards need to be recognized for companies, which will have sufficient taxable income in future periods in order to be able to utilize the tax benefits from temporary differences and loss carryforwards.

At the end of the reporting period, deferred taxes in the amount of kEUR 75 (2016: kEUR 36) from the measurement of the defined benefit obligation pursuant to IAS 19 were offset against equity.

Deferred tax liabilities on differences in the amount of kEUR 59,797 (2016: kEUR 14,542) for non-distributed profits of STS Group subsidiaries were not recorded due to the existence of control pursuant to IAS 12.39.

Of the total tax loss carryforwards of kEUR 52,304 (2016: 51,012 kEUR), an amount of kEUR 18,278 (2016: kEUR 4,736) is expected to be usable within a reasonable period. Deferred tax assets of kEUR 5,016 (2016: 1,303) were recognized for the amount of tax loss carryforwards expected to be usable.

Netting relates to the offset of deferred tax assets and liabilities within individual entities or tax groups to the extent that they relate to the same tax authorities. The deferred tax assets include non-current deferred tax assets of kEUR 8,209 (2016: kEUR 598). The deferred tax liabilities include non-current deferred tax liabilities of kEUR 6,480 (2016: kEUR 3,455).

6.7 Inventories

kEUR	31 December 2017	31 December 2016
Raw materials, consumables and supplies	14,454	6,029
Work in progress	6,087	4,161
Finished goods and goods for resale	7,202	3,014
Prepayments for inventories	381	0
Inventories	**28,124**	**13,204**

The measurement of inventories accounts for marketability, age and all apparent price, quality and storage risks.

The costs of individual items of inventory are determined using weighted average costs.

Inventories recognized as an expense during the year ended 31 December 2017 amounted to kEUR 190,555 (2016: kEUR 85,188) and are included in material expenses.

In the reporting period write-downs of inventories comprise of scrap (2017: kEUR 3,765; 2016: kEUR 3,464) and write-downs to net realizable value (2017: kEUR 1,184 (2016: kEUR 835) and are included in material expenses.

Notes to the consolidated financial statements (continued)

6.8 Trade and other receivables

kEUR	31 December 2017	31 December 2016
Trade and other receivables before specific valuation allowances	100,615	34,960
Less specific valuation allowances	1,280	606
Trade and other receivables	**99,335**	**34,354**

With regard to the receivables for which valuation allowances have not been recognized and which are not in default, there are no indications that the debtors will not meet their payment obligations.

Trade receivables do not bear interest and have a term of less than one year.

The Group recognizes valuation allowances on uncollectible receivables and for general credit risks on an individual basis. They are initially recognized in allowance accounts, unless it can already be assumed when the reason for the write-down arises that the receivable will be fully or partly uncollectible. In such cases, the carrying amount of the receivable is directly written down through profit or loss.

Transfer of trade receivables

The Group sold with recourse trade receivables to factoring companies for cash proceeds. These trade receivables have not been derecognised from the statement of financial position, because the Group retains substantially all of the risks and rewards – primarily credit risk. The amounts received have been recognised as a liability. Depending on the arrangement with the respective factoring company, the customers remit cash directly to the Group and the Group transfers the collected amounts to the factoring companies. The carrying amount of the trade receivables at the reporting date that have been transferred but have not been derecognised amount to kEUR 41,114 (2016: kEUR 14,030). See note 6.16 – other current financial liabilities for the associated liabilities from factoring. Deposits in relation to these factored receivables amount to kEUR 42 (2016: Nil) and are recognized in non-current other financial assets.

The Group also sold trade receivables with a book value of kEUR 1,034 (2016: kEUR 881) to third parties based on factoring agreements and no material risks remain with the Group. The receivables were therefore derecognized. For the retainer of the factorer for receivables transferred, the Group recognized other current financial assets amounting to kEUR 75 (2016: kEUR 494). The group faces a risk of paying kEUR 9 (2016: kEUR 8) to the factorer in case of a late payment by the customer.

Notes to the consolidated financial statements (continued)

Aging of trade receivables

kEUR	31 December 2017	31 December 2016
Not past due and not individually impaired	79,015	23,883
Past due but not individually impaired		
Past due 1 to 30 days	14,116	6,331
Past due 30 to 60 days	4,244	2,502
Past due 60 to 90 days	317	249
Past due 90 to 180 days	409	473
Past due 180 days	1,234	916
Total past due but not individually impaired	20,320	10,471
Individually impaired, net of allowances	498	0
Carrying amount of trade receivables, net	**99,335**	**34,354**

At the end of the reporting period, there is no indication of any significant defaults of trade receivables that are neither past due nor impaired.

Movements in the allowance for impairment of trade receivables

1 January 2016	**361**
Addition	245
31 December 2016	**606**
Addition	740
Reversal	-66
31 December 2017	**1,280**

6.9 Other current financial assets

	31 December 2017	31 December 2016
Receivable from former shareholder	7,148	0
Loans to affiliated companies	5,000	0
Receivable from factorer	203	1,865
Supplier bonuses	700	0
	13,051	**1,865**

The receivable from former shareholder mainly results from a tax indemnification claim (kEUR 7,102) against the former shareholder of STS Acoustics S.p.A relating to the sale and purchase agreement of STS Acoustics S.p.A. This relates to several tax audits and assessments for the financial years from 2006 to 2011 of STS Acoustics S.p.A. According to the final tax audit report STS Acoustics S.p.A. has to pay income taxes for prior years in the amount of kEUR 1,673, VAT for prior years in the amount of kEUR 2,197, tax penalties in the amount of kEUR 2,075 and interest in the amount of kEUR 1,158. In the same amount the Group has a tax indemnification claim against the former shareholder of STS Acoustic S.p.A.

Notes to the consolidated financial statements (continued)

For details on the loans to affiliated companies see note 16.1.

As of 31 December 2017 receivables from factorer mainly comprise of the retention amount from factored receivables.

6.10 Other current non-financial assets

kEUR	31 December 2017	31 December 2016
Prepayments social security	205	559
Regional tax Italy	0	72
Employers' liability insurance association	7	0
Prepaid expenses	396	128
VAT receivables	3,059	35
Miscellaneous	146	86
Other current non-financial assets	**3,813**	**880**

Prepayments social security comprise of prepayments for the payment of short-working benefits.

6.11 Cash and cash equivalents

kEUR	31 December 2017	31 December 2016
Checks	0	98
Cash in hand	4	2
Bank balances	15,832	2,508
Cash and cash equivalents	**15,836**	**2,608**

6.12 Equity

The individual components of equity and their development in the years 2017 and 2016 are shown in the statement of changes in equity.

Share capital
Share capital is unchanged at kEUR 50.

Capital reserves
The capital reserves amount to kEUR 1,615 (2016: kEUR 1,594).

The capital reserve increased by kEUR 21, which is due the equity-settled share-based payments. The reserve for employee benefits to be settled in equity instruments resulted from the granting of share options by the shareholder mutares AG to members of the Company's management board as part of mutares AG's share option plan. Further information on share-based payment of employees can be found in note 10.

Notes to the consolidated financial statements (continued)

Retained earnings

Retained earnings include the consolidated profit or loss of kEUR 46,965 for the reporting period (2016: kEUR 7,504). In the reporting period the Company paid out dividends in the amount of kEUR 1,710 (2016: kEUR Nil).

Other reserves

Other reserves comprise of the actuarial gains and losses related to the defined benefit plans as outlined in note 6.14.1. Furthermore, other reserves comprise of the foreign currency translations effects.

6.13 Other non-current financial liabilities

The other non-current financial liabilities break down as follows:

kEUR	31 December 2017	31 December 2016
Liabilities to banks	9,663	10,144
Liabilities from finance leases	819	0
Third party loans	6,645	5,238
Other non-current financial liabilities	**17,127**	**15,382**

In the year under review, the interest conditions of the long-term bank loans were based on the six-months or three-months EURIBOR plus premiums of between 2.0% and 2.6%.

Interest rate risks were naturally hedged in part by interest rate swaps.

In the reporting period the Group entered into one new loan agreement with a bank (kEUR: 2,000 loan nominal; three-months-Euribor plus 2%).

Third party loans consist of the non-current portion of loans from former shareholders. In order to finance the acquisition of Minas Têxteis Ltda. the Group entered into one new loan agreement with a former shareholder (kEUR 2,685 loan nominal; 5% nominal interest).

The current portions of the aforementioned bank and third party loans are shown within note 6.16.

In relation to bank and third party loans assets in the following amounts are pledged:

kEUR	31 December 2017	31 December 2016
Intangible assets	5,510	4,536
Property, plant and equipment	22,412	19,072
Other non-current non-financial assets	53	71
Inventories	3,656	2,889
Trade and other receivables	19,033	1,302
Other current financial assets	21	0
Other current non-financial assets	918	53
Cash and cash equivalents	4,358	866
Pledged assets	**55,961**	**28,789**

Notes to the consolidated financial statements (continued)

Liabilities from finance leases

The group leases various technical equipment and machinery with a carrying amount of kEUR 1,098 (2016: Nil) under finance leases expiring within four to five years. Some of the lease agreements contain purchase options.

Liabilities from finance leases are repaid over the lease term. They have the following residual lease terms at the reporting date:

kEUR	2017	2016
Total future minimum lease payments (gross investment)	**1,152**	**0**
Due within one year	257	0
Due within one to five years	895	0
Due in more than five years	0	0
Present value of minimum lease payments	**1,056**	**0**
Due within one year	253	0
Due within one to five years	803	0
Due in more than five years	0	0
Finance charge included in minimum lease payments	**96**	**0**

6.14 Provisions

The provisions break down as follows:

kEUR	31 December 2017	31 December 2016
Provision for pensions and similar obligations	19,985	10,675
Other provisions	4,528	533
Provisions	**24,513**	**11,208**

6.14.1 Pension and similar obligations

kEUR	31 December 2017	31 December 2016
Provision for pensions and similar obligations	19,985	10,675

Defined benefit plans

The pension provisions are based on country-specific legal obligations in Italy and France regarding retirement of employees. These are generally based on the remuneration and length of service of the employees. In the case of France, these concern statutory redundancy payments. In the case of Italy, the obligation concerns only pension entitlements from services before 2007. Starting in 2007 the pension plans were redirected to an external plan due to a change in law, thereafter being a defined contribution plan. Therefore, there are no further additions to the provision other than interest and actuarial assumption changes. The pension plans are classified as defined benefit plans in both countries. These are uncovered

Notes to the consolidated financial statements (continued)

pension plans whose obligations the entity itself meets as soon as they become due upon retirement of employees.

In accordance with IAS 19, the provisions for pension and similar obligations are calculated according to the projected unit credit method for defined benefit plans. The calculation is based on actuarial assessments.

The table below shows the development of the defined benefit obligation (DBO) as of 31 December 2017.

kEUR	31 December 2017	31 December 2016
DBO at 01.01.	10,675	8,237
Service cost	370	0
Interest expenses	221	161
Actuarial gains / losses		
for experience	179	-108
for demographic assumtions	-44	0
for financial assumptions	249	221
Benefits paid	-692	-856
Change in scope of consolidation	9,027	3,020
DBO at 31.12.	**19,985**	**10,675**

Change in scope of consolidation is in relation to the Dolmen acquisition described in Note 4.

The amounts recognized in profit or loss and in other comprehensive income for the respective reporting periods break down as follows:

kEUR	31 December 2017	31 December 2016
Service cost	370	0
Interest expenses	221	161
Total amount recognized in the statement of profit or loss	**591**	**161**
Actuarial gains (-) / losses (+)	384	113
Tax effects	-112	-27
Total amount recognized in other comprehensive income	**272**	**86**

The obligation in Italy concerns only pension entitlements from services before 2007. Therefore, there were no further additions to the provision due to service costs in 2016.

The interest expenses are recognized in interest and similar expenses.

Notes to the consolidated financial statements (continued)

Actuarial assumptions

Pension obligations are measured on the basis of actuarial assessments, using the following key measurement parameters:

	Italy	
	31 December 2017	31 December 2016
Discount rate	1.6%	1.4%
Mortality tables	RG48	RG48
Employee turnover	5.0%	5.0%
Inflation	1.5%	1.5%

	France	
	31 December 2017	31 December 2016
Discount rate	1.6%	1.4%
Salary increase	1.9%	1.8%

Sensitivity analysis

The tables below show the effects on the DBO in the event of changes in the key actuarial assumptions. In each case, the effect on the DBO of a change in one assumption is shown, while the other assumptions remain unchanged compared to the original calculation. As a result, correlation effects between the assumptions are not taken into account. The presented changed DBO applies only to the specific size of the change in the individual assumption. A straight-line effect on the DBO cannot be assumed if the assumptions change by a different amount.

			kEUR
Italy		**31 December 2017**	**31 December 2016**
Discount rate	+0.5%	7,047	7,383
	-0.5%	7,553	7,944
Employee turnover	+1.0%	7,276	7,631
	-1.0%	7,311	7,682
Inflation	+0.25%	7,372	7,743
	-0.25%	7,214	7,569
Mortality	+1	7,308	7,675
	-1	7,276	7,630

France		**31 December 2017**	**31 December 2016**
Discount rate	+0.5%	11,840	2,834
	-0.5%	13,438	3,224
Salary trend	+1.0%	14,325	3,440
	-1.0%	11,130	2,661

Notes to the consolidated financial statements (continued)

When calculating the effects on the DBO, the same calculation method (projected unit credit method) was applied as for the calculation of pension provisions at the end of the year.

Expected pension payments

The following table shows the expected pension payments for the next five years:

kEUR	2017	2016
Up to 1 year	850	380
1-5 years	4,325	3,006

The average duration of the benefit obligation as of 31 December 2017 is 7.6 years (2016: 7.9 years) for Italy and 13.5 (2016: 13.5) for France. In France the benefit is a one-time payment upon the start of retirement from the company.

The DBO also entails a minor plan in Mexico amounting to kEUR 89. The plan consists of retirement plans and severance benefits based on Mexican law. These are generally based on the remuneration and length of service of the employees. In accordance with IAS 19, the the DBO is calculated according to the projected unit credit method for defined benefit plans. The calculation is based on actuarial assessments. The discount rate used is 7.75%.

6.14.2 Other provisions

The following provisions are reported as other provisions in the statement of financial position:

kEUR	Jubilee benefits	Onerous contracts	Severance payments	Other	Total
1 January 2016	**0**	**0**	**0**	**357**	**357**
Acquired through business combination	287	0	0	0	287
Provisions used during the year	0	0	0	-111	-111
31 December 2016	**287**	**0**	**0**	**246**	**533**
Acquired through business combination	830	3,043	0	0	3,873
Provisions made during the year	81	244	226	234	785
Provisions used during the year	-67	-350	0	-246	-663
31 December 2017	**1,131**	**2,937**	**226**	**234**	**4,528**
thereof					
current	0	2,937	226	234	3,397
non-current	1,131	0	0	0	1,131

The onerous contracts provision consists mainly of the provision for onerous contracts entered into by the in 2017 acquired Dolmen-entities. The provisions are utilized through profit or loss over the duration of the contracts.

The jubilee benefit provision relates to France and is being accumulated according to the employee's current length of service and discounted at a rate of 1.6% (2016: 1.4%). The provision is recognized on the basis of current employee numbers and future entitlements to the payments. As in 2016, the calculated values are based on assessments that, in accordance with recognized actuarial principles and via the projected unit credit method

Notes to the consolidated financial statements (continued)

(PUC method), use a turnover rate of between 0.0% and 5.0% depending on age and the INSEE 2012-2014 mortality tables as the basis for biometric calculations.

6.15 Current trade payables

The trade payables (2017: kEUR 65,464; 2016: kEUR 28,183) are exclusively to third parties and are secured to the extent customary in the industry by the suppliers' retention of title.

6.16 Other current financial liabilities

The other current financial liabilities break down as follows:

kEUR	31 December 2017	31 December 2016
Liabilities to banks	7,094	2,088
Liabilities from factoring	37,159	722
Outstanding invoices	18,382	1,934
Liabilities from finance leases	237	0
Other financial liabilities	26	71
Third party loans	1,097	208
Other current financial liabilities	**63,995**	**5,023**

The current liabilities to banks relate to repayment installments of non-current liabilities to banks that are due within one year (see the note 6.13). The increase of liabilities from factoring and outstanding invoices as of 31 December 2017 is mainly due to the acquisition of the Dolmen entities in the reporting period.

For further information on the liabilities from factoring see note 6.8.

6.17 Current income tax liabilities

As of 31 December 2017 current income tax liabilities of kEUR 1,673 (2016: kEUR Nil) relates to several tax audits and assessments for the financial years from 2006 to 2011 of STS Acoustics S.p.A. For details see note 6.9.

6.18 Other current non-financial liabilities

kEUR	31 December 2017	31 December 2016
Employee related liabilities	13,962	5,452
Liabilities from payroll and church taxes	731	721
Social security	7,786	1,510
Advance payments received on orders	892	1,008
VAT liabilities	2,222	253
VAT liabilities prior years	2,197	0
Tax penalties	2,075	0
Interest payable tax audit liabilities	1,158	0
Other levies	1,191	0
Deferred income	1,416	8
Miscellaneous other liabilities	261	388
Other current non-financial liabilities	**33,891**	**9,340**

Notes to the consolidated financial statements (continued)

Employee related liabilities mainly relate to variable remuneration, vacation accruals and overtime. The increase of employee related liabilities as of 31 December 2017 is mainly due to the acquisition of the Dolmen entities in the reporting period.

For details on VAT liabilities prior years and tax penalties see note 6.9.

Deferred income does mainly entail payments received in advance by customers relating to work in progress on mold development contracts.

7 Notes on the consolidated statement of cash flows

Cash flows from investing activities of kEUR 5,767 include the disbursement for acquisition of a business relating to the acquisition of the Dolmen entities (see note 4). While the total purchase consideration amounted to kEUR 10,630 for the Dolmen acquisition, cash and cash equivalents of kEUR 4,863 were obtained as part of the acquired net assets for both acquisitions in the reporting period.

The group acquired a further business in Brazil. The acquisition of Minas Têxteis Ltda. is financed by installments payments in the future. The transaction was not cash-effective in 2017. The first payment is due as of 30 September 2018.

The disbursements for investments in property, plant and equipment of kEUR 9,593 mainly relate to the acquisition of technical equipment and machinery.

Net cash flows from financing activities relate to proceeds from factoring mainly due to the newly entered factoring agreements in 2017.

Notes to the consolidated financial statements (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

kEUR	Liabilities from financing activities
1 January 2017	**18,400**
Financing cash flow	
Proceeds from borrowings	8,565
Repayments of borrowings	-2,853
Proceeds from factoring	36,437
Interest paid	-1,256
Interest received	22
Changes from financing cash flows	**40,914**
Effect of changes of non-cash items	
Net interest expense	1,858
New finance leases	1,252
Other changes	290
Changes from non-cash items	**3,400**
31 December 2017	**62,714**

Liabilities from financing activities comprise of liabilities to banks, liabilities from factoring, liabilities from finance leases and third party loans.

8 Segment reporting

Under IFRS 8, operating segments must be defined on the basis of the internal reporting on Group business units that is regularly reviewed by the Company's chief operating decision maker in order to make decisions on the allocation of resources to these segments and to assess their performance. Information reported to the management board as the chief operating decision maker for the purpose of allocating resources to the Group's operating segments and assessing their performance relates to the products that are manufactured or rendered. The Company's management board decided to organize the reporting according to various types of products. No operating segments were aggregated in order to reach the level of the Group's reportable segments.

At STS, operations are divided by product into the following segments:

- Plastics segment: This segment produces plastic parts, largely for commercial vehicles. The product range encompasses interior parts (cool boxes, shelf elements) and exterior parts (bumpers, side trim panels). Injection molding and SMC compression molding technologies are used. In addition, the business unit has its own capacity for painting plastic.

- Acoustics segment: This segment focuses on products relating to NVH (noise, vibration, harshness). The business unit also boasts high vertical integration (development,

Notes to the consolidated financial statements (continued)

production of the feedstock, production of the end product). The customers include commercial vehicle manufacturers and FCA.

- Materials segment: This segment produces SMC rolls which are sold to internal and external customers as base material for plastic parts. The customers are Europe-based.

The segments consist of one or more legal entities. The assignment of a legal entity to the three product-based segments is clear as the operating entities only hold one of the respective product technologies. All three segments generate income and expenses in reference to IFRS 8.5.

Notes to the consolidated financial statements (continued)

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	Segments													
	Materials		**Acoustics**		**Plastics**		**Corporate / Consolidation**		**STS Group as reported**		**IFRS/PPA Adjustments**		**STS Group IFRS**	
kEUR	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016*)**	**2017**	**2016**
Revenue - third parties	14,501	0	132,672	136,329	162,856	0	0	0	310,029	136,329	-37	-170	309,992	136,159
Revenue - inter-segment	5,490	0	0	0	122	0	-5,612	0	0	0	0	0	0	0
Revenue segment	**19,991**	**0**	**132,672**	**136,329**	**162,978**	**0**	**-5,612**	**0**	**310,029**	**136,329**	**-37**	**-170**	**309,992**	**136,159**
EBITDA	994	0	5,387	7,124	4,537	0	-1,435	-62	9,483	7,062	45,553	4,317	55,036	11,379
Depreciation and amortization	-638	0	-3,383	-2,942	-4,778	0	-32	0	-8,830	-2,942	654	405	-8,177	-2,536
EBIT	356	0	2,004	4,183	-240	0	-1,467	-62	653	4,121	46,207	4,722	46,860	8,843
Investment in non-current assets	9,178	0	11,905	6,197	57,502	0	480	0	79,065	6,197	0	13,258	79,065	19,455

*) 2016 IFRS/PPA Adjustments also includes the Bellini acquisition

Had the Group applied the Group accounting policies for its segments already in 2017, the segment reporting would be as follows:

	Segments									
	Materials		**Acoustics**		**Plastics**		**Corporate / Consolidation**		**STS Group**	
kEUR	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Revenue - third parties	14,501	0	132,635	136,159	162,856	0	0	0	309,992	136,159
Revenue - inter-segment	5,490	0	0	0	122	0	-5,612	0	0	0
Revenue segment	**19,991**	**0**	**132,636**	**136,159**	**162,978**	**0**	**-5,612**	**0**	**309,993**	**136,159**
EBITDA	994	0	3,984	6,501	4,537	-361	45,522	5,240	55,036	11,379
Depreciation and amortization	-638	0	-2,730	-2,536	-4,778	0	-32	0	-8,177	-2,536
EBIT	356	0	1,254	3,965	-240	-361	45,490	5,240	46,860	8,843
Investment in non-current assets	9,178	0	11,905	6,197	57,502	13,258	480	0	79,065	19,455

The accounting policies of the reportable segments are the same as the Group accounting policies. Corporate / Consolidation entails kEUR 46,957 (2016: kEUR 5,250) bargain purchase gain from the business acquisitions described in Note 4.

Segment investments in non-current assets include investments in intangible assets and property, plant and equipment.

Notes to the consolidated financial statements (continued)

Entities non-current assets based on the legal seat of the entity are as follows:

kEUR	31 December 2017	31 December 2016
Europe	76,699	34,708
Italy	20,294	21,110
France	52,633	13,329
Germany	614	0
Other	3,157	269
Rest of World	29,264	0

Non-current assets consist of property, plant and equipment, intangible assets and other non-financial assets.

The revenue from two customers amounted to more than 10% of total third party revenue in 2017 and from one in 2016. The absolute revenue with them is:

kEUR	2017	2016
Revenue of 1st customer >10%	84,176	0
Revenue of 2nd customer >10%	72,016	54,752

Information on revenue distribution per customer by country is not available due to the ongoing integration of the newly acquired entities without incurring excessive costs.

Reconciliation of the segment result to income before income tax expense:

in kEUR	2017	2016
EBITDA STS Group as reported	**9,483**	**7,062**
IFRS/PPA adjustments	45,553	4,317
EBITDA IFRS	**55,036**	**11,379**
Depreciation and amortization	-8,177	-2,536
Finance result - net	-3,016	-867
Income before income tax expense	**43,844**	**7,976**

Of the IFRS/PPA adjustment, kEUR 46,957 (2016: kEUR 5,250) can be attributed to the bargain purchase gain of the business combinations described in Note 4 and kEUR -1,404 (2016: kEUR: -606) to IFRS adjustments which in the reporting period mainly relate to the accounting for development expenses. In 2016 IFRS/PPA adjustments also includes the EBITDA of the Bellini acquisition in the amount of kEUR -327.

Notes to the consolidated financial statements (continued)

9 Additional disclosures regarding financial instruments

Financial assets and liabilities can be broken down into the IAS 39 measurement categories as follows for the reporting periods 2017 and 2016:

kEUR	Categories acc. to IAS 39	Carrying amount	Measurement balance sheet according to IAS 39			Balance sheet measurement according to IAS 17	Fair value	
Financial assets assigned to categories		31 December 2017	Amortized costs	Fair value - through OCI	Fair value - through profit or loss		31 December 2017	Hierarchy
Trade receivables	LaR	99,064	99,064					
Other receivables	LaR	271	271					
Cash-in-hand and cash equivalents	LaR	15,836	15,836					
Other financial assets								
Securities	AfS	38		38				
Deposits	LaR	209	209				209	Level 3
Loans to affiliates	LaR	5,000	5,000					
Other	LaR	8,050	8,050					
Free standing derivatives	FAHfT	20			20		20	Level 2
Financial liabilities assigned to categories								
Trade payables	FLAC	66,106	66,106					
Other financial liabilities								
Liabilities to banks	FLAC	16,758	16,758				16,734	Level 3
Loans from third parties (other than banks)	FLAC	7,741	7,741				8,612	Level 3
Liabilities from factoring	FLAC	37,159	37,159					
Leasing liabilities	n/a	1,056				1,056	1,056	Level 3
Other	FLAC	18,408	18,408					
Free standing derivatives	FLHfT	0						

Notes to the consolidated financial statements (continued)

kEUR	Categories acc. to IAS 39	Carrying amount	Measurement balance sheet according to IAS 39			Balance sheet measurement according to IAS 17	Fair value	
Financial assets assigned to categories		31 December 2016	Amortized costs	Fair value - through OCI	Fair value - through profit or loss		31 December 2016	Hierarchy
Trade receivables	LaR	33,052	33,052					
Other receivables	LaR	1,302	1,302					
Cash-in-hand and cash equivalents	LaR	2,608	2,608					
Other financial assets								
Securities	AfS	38		38				
Deposits	LaR	105	105				105	Level 3
Other	LaR	1,864	1,865					
Financial liabilities assigned to categories								
Trade payables	FLAC	28,700	28,700					
Other financial liabilities								
Liabilities to banks	FLAC	12,232	12,232				12,028	Level 3
Loans from third parties (other than banks)	FLAC	5,503	5,503				5,936	Level 3
Liabilities from factoring	FLAC	722	722					
Leasing liabilities	n/a	0				0		
Other	FLAC	1,934	1,934					
Free standing derivatives	FLHfT	14			14		14	Level 2

Notes to the consolidated financial statements (continued)

The total of the carrying amounts of the financial instruments categories specified by IAS 39 are as follows:

kEUR	Carrying amount	
Summary per category	**31 December 2017**	**31 December 2016**
Financial assets held for trading (FAHfT)	20	0
Available for sale financial assets (AfS)	38	38
Loans and receivables (LaR)	128,431	38,930
Financial liabilities held for trading (FLHfT)	0	14
Financial liabilities at amorticed costs (FLAC)	146,172	49,091

The three levels to determine the fair value of financial instruments are described in note 2 – Basis of preparation. The fair value of financial instruments is calculated based on the current parameters like interest rates and exchange rates at the balance sheet date and through the use of accepted models like the discounted cash flow method and consideration of credit risk. The market values for interest rate swaps are determined based on bank valuation models.

As the financial instruments are due in the short-term, the carrying amount represents a reasonable approximation of the fair value in the case of current financial assets and liabilities. For those financial assets and liabilities no values are inserted in the fair value column of the table.

An active market does not exist for financial instruments that belong to the category Available-for-Sale. Their fair value cannot be determined reliably. A disposal of these financial assets is currently not planned.

There were no significant default risks at the end of the reporting period.

The other financial assets materially represent a tax indemnification claim and claims against factorers. In 2016 they only represent claims against factorers.

The other financial liabilities materially consist of liabilities for outstanding invoices.

The net gains or losses of the individual IAS 39 categories are as follows:

Net financial gains and losses	2017	2016
from loans and receivables (LaR)	-674	-245
from available for sale financial assets (AfS)	0	0
from financial liabilities at amortized costs (FLAC)	-1,569	-639
from financial liabilities held for trading (FLHfT)	34	-14
Total	**-2,208**	**-898**
thereof recognized in financial result	-1,535	-653

The net financial gains and losses on financial instruments arise from changes in fair value for free standing derivatives (FLHfT), the recognition and reversal of impairment losses (LaR) and interest for financial liabilities at amortized costs (FLAC). Free-standing derivatives comprise derivatives which are not designated as hedging instruments. No interest income has been accrued which relates to impaired financial instruments, especially receivables.

Notes to the consolidated financial statements (continued)

10 Share-based payments

The Group has no employee share option program. However, the shareholder mutares AG launched the mutares AG share option plan 2016 for employees by resolution of the shareholder's meeting on 3 June 2016, which also covers managers of its affiliated companies. The mutares AG option plan dates from 13 October 2016. Instead of a delivery and creation of new shares, the share options can be settled either with a corresponding number of treasury shares or in cash (difference between the exercise price and the reference price). As of the end of the reporting period, there is no agreement according to which the Group has to pay compensation to mutares AG.

The share options have a term of six years. The options can be exercised after a vesting period of four years. They can be exercised after the vesting period at fixed times during the next two years (exercise period).

With the approval of the supervisory board, the management board of mutares AG determines which employees are granted share options and how many share options they are to be granted.

There was only one option tranche of share-based payment agreements for members of the Company's management board during the current reporting period and previous reporting periods.

On 16 September 2016 (grant date), a total of 60,000 options with an exercise price of EUR 8.83 and a fair value as of the grant date of EUR 3.02 were granted to three members of the Company's management board.

Fair value of share options granted in the reporting period

The weighted average fair value of the share options granted in the reporting period was EUR 3.02. The options were measured using a binomial option pricing model. The calculation of the expected option term included, if relevant, the management's best estimate of the following influencing factors: Non-transferability, restrictions on exercise (including the probability that the market conditions coupled to the option will be met) and assumptions regarding exercise behavior. The expected volatility is based on the development of share price volatility in the last six years. With regard to the exercise date, it was assumed that the program participants will on average exercise the options at the end of the exercise period of two years, which equates to six years after the grant date.

Notes to the consolidated financial statements (continued)

Valuation parameters	Option tranche 16 September 2016
Grant share date price in	EUR 12.60
Excercise price	EUR 8.83
Expected volatility	30.0%
Option life	6 years
Dividend yield	4.5%
Risk free interest rate	-0.4%

During the reporting period, there was no change in share options regarding the number of options or the weighted average exercise price.

The share options granted are not entitled to dividends and grant no voting rights. The share-based payments are treated in accordance with the standard IFRS 2 as equity-settled share-based payments. The personnel expense recorded in financial year 2017 amounts to kEUR 21 (2016: kEUR 4).

11 Critical estimates and judgements

In the process of applying the accounting policies, Group management made judgments that significantly influence the amounts recognized in the consolidated financial statements. Accordingly, the preparation of the consolidated financial statements requires to a certain degree assumptions and estimates that affect the amount and disclosure of the assets and liabilities, income and expenses, and contingent liabilities recognized for the period under review. They relate primarily to the assessment of the recoverability of assets, the Group's uniform definition of economic useful lives for property, plant and equipment and the recognition and measurements provisions.

The assumptions and estimates are premised on the knowledge currently available. In particular, the expected future business performance was based on the circumstances at the time the consolidated financial statements were prepared and the future development of the environment deemed to be realistic. If these framework conditions develop differently than assumed and outside of the management's sphere of influence, the ensuing amounts can differ from the original estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, due to which there is a significant risk that an adjustment to the carrying amounts of assets and liabilities will be necessary in upcoming reporting periods, are described below.

Estimates in purchase price allocation

Business combinations generally involve estimates relating to the calculation of the fair value of the acquired assets and liabilities. Land, buildings, technical equipment and machinery are

Notes to the consolidated financial statements (continued)

usually valued by an independent expert, while marketable securities are carried at their market value. Appraisals of the market values of property, plant and equipment are subject to an element of uncertainty due to the use of necessary assumptions. If there are intangible assets, the fair value is determined using suitable measurement methods, which are generally based on a forecast of all future cash flows. Depending on the type of asset and the availability of information, various measurement techniques are used that can be categorized as based on cost, market price or capital value. The method based on capital value is important because of its particular significance in the measurement of intangible assets. For example, licenses are measured using the relief-from-royalty method, which among other things estimates the cost savings that result from the Company holding the licenses itself and not having to pay fees to the licensor. After discounting, the resulting saving gives the carrying amount for the intangible asset. Calculating the values of intangible assets particularly requires estimates of their economic useful lives, which are subject to an element of uncertainty due to the use of assumptions. The calculation of fair values of contingent liabilities likewise requires assumptions about their probable occurrence. These assumptions are by nature also subject to an element of uncertainty.

Definition of the useful lives of property, plant and equipment and of software and licenses

The Company bases its estimates of the useful lives of assets on past experience. However, accelerated technological progress means that, for example, faster depreciation and amortization may be necessary.

Classification as operating or finance lease

Lease classification depends primarily on estimates of the economic useful life of the leased asset, its fair value at the date of classification and assumptions or estimates of the discount rate to be used.

Valuation allowances on receivables

The management bases its estimates regarding the size of valuation allowances on the principle of individual measurement. In part, estimates of the requirement for specific valuation allowances are subjective estimates regarding the customers' credit quality. They are therefore subject to an inherent assessment uncertainty.

Recognition of deferred tax assets and deductible temporary differences

Deferred tax assets are recognized for tax loss carryforwards and deductible temporary differences, provided that the realization of the related tax benefit by future taxable profits based on the management's profit forecasts for the group companies is considered probable.

Notes to the consolidated financial statements (continued)

Provisions

Provisions differ from other liabilities in terms of uncertainties regarding the timing or amount of expenditures required in the future. A provision must be recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation (see IAS 37.14).

There are considerable recognition and measurement uncertainties due to differing economic and legal assessments and the difficulties of determining the probability of occurrence.

The measurement of pension provisions requires actuarial assumptions. These assumptions depend on individual estimates by the management.

12 Financial risk management

The management of the Group monitors and manages the financial risks associated with the Group's businesses by means of internal risk reporting, in which the Group analyses risks according to their scale and scope. These risks include credit risk, liquidity risk and market risk (foreign currency risk and interest rate risk).

In some cases, the Group minimizes the effects of these risks with derivative financial instruments. The use of financial derivatives is governed by guidelines set by the Group management, which contain requirements for the management of currency, interest rate and default risks. In addition, basis rules are laid down for the use of derivative and non-derivative financial transactions and for the investment of excess liquidity. Compliance with the guidelines and risk limits is monitored continuously. The Group does not contract or trade financial instruments, including derivative financial instruments, for speculative purposes.

12.1 Credit risk

There are credit risks with regard in particular to trade receivables and other receivables including deposits. They are limited by limiting and constantly monitoring the individual receivables. There are no specific credit risks with regard to customers. Risks from deterioration in customers' solvency and credit rating are already actively countered as part of acquisition management at the time of customer acquisition. There have been no major defaults in the past. Details of concentration of revenues are included in note 8.

Free liquidity is usually deposited in current accounts and term deposits at commercial banks. The maximum default risk of the recognized assets equals their carrying amount.

12.2 Liquidity risk

Prudent liquidity management includes holding a sufficient reserve of cash and cash equivalents and tradable securities as well as the option for financing via an adequate

Notes to the consolidated financial statements (continued)

amount of committed credit lines. Due to the dynamics of the business environment in which the Group operates, the Group Finance department aims to maintain the necessary financing flexibility with sufficient unutilized credit lines as well as factoring.

The management of the Group monitors the liquidity of the operating companies and the Group as a whole with rolling cash flow projections.

The risk from contractually agreed cash flows for financial liabilities is set out below:

31 December 2017

kEUR	Up to 1 year	1-5 years	More than 5 years	Total
Non-derivatives				
Trade payables	65,464	642	0	66,106
Other financial liabilities	46,950	12,562	4,457	63,969
- Bank liabilities	9,065	9,675	1,838	20,577
- Factoring liabilities	37,177	0	0	37,177
- Other liabilities	708	2,888	2,619	6,215
Finance lease liabilities	748	2,543	0	3,291
Derivatives				
Interest rate swaps	31	81	38	150
Total	**113,193**	**15,829**	**4,494**	**133,516**

31 December 2016

kEUR	Up to 1 year	1-5 years	More than 5 years	Total
Non-derivatives				
Trade payables	28,183	517	0	28,700
Other financial liabilities	3,814	11,469	6,017	21,300
- Bank liabilities	2,371	8,705	2,233	13,309
- Factoring liabilities	723	0	0	723
- Other liabilities	720	2,764	3,784	7,268
Derivatives				
Interest rate swaps	33	91	49	173
Total	**32,030**	**12,077**	**6,066**	**50,173**

12.3 Market risk

12.3.1 Foreign currency risks

The operating business is subject to minor currency risks due to purchases and sales arranged in currencies other than the euro.

	10% increase		10% decrease	
kEUR	2017	2016	2017	2016
Effects on income before income tax expense from USD	-183	0	180	0
Effects on income before income tax expense from PLN	10	0	-13	0

Notes to the consolidated financial statements (continued)

12.3.2 Interest rate risk

On the financing side, there are minor interest rate risks as the non-current other loan liabilities have floating interest rates. Interest rate swaps with matching terms and conditions have been arranged to hedge against this. However, hedge accounting is not applied.

	2017		2016	
	Change in interest rate basis points		Change in interest rate basis points	
kEUR	-100	+100	-100	+100
Effects on income before income tax expense	-125	98	-201	167

13 Capital risk management

The Group's objectives with regard to capital management are firstly to secure the business as a going concern in order to continue providing shareholders with returns and the other stakeholders with the deliverables owed, and secondly to maintain an optimum capital structure in order to reduce the cost of capital. As required, the Group maintains or changes the capital structure by adjusting the dividend payments to shareholders, making capital repayments to shareholders, or selling assets in order to repay liabilities.

	31 December 2017		31 December 2016	
kEUR		% of total equity and liabilities		% of total equity and liabilities
Equity	60,666	29.2%	16,273	24.9%
Current financial liabilities	129,459	62.3%	33,206	50.8%
Non-current financial liabilities	17,769	8.5%	15,899	24.3%
Financial liabilities	147,228	70.8%	49,105	75.1%
Total equity and financial liabilities	**207,894**	**100.0%**	**65,378**	**100.0%**

14 Contingent liabilities

A contingent liability could emerge in the event of the disposal, transfer or other disposal of a group company prior to July 2034. This event would trigger a liability of EUR 1.7 million against the previous shareholder, for which the Company and mutares AG would jointly and severally be liable.

15 Financial commitments

The Group has concluded leases for various properties, vehicles and operating and office equipment. These leases have a term of between three and twenty years and do not, as a rule, contain options for extension.

Notes to the consolidated financial statements (continued)

As of the end of the reporting period, the future minimum lease payment obligations due to non-cancellable operating leases were as follows:

kEUR	31 December 2017	31 December 2016
Non-cancellable operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Up to 1 year	4,499	839
1-5 years	7,427	4,996
Total	**11,927**	**5,835**

Expenses from operating leases of kEUR 4,353 (2016: kEUR 973) were recognized in the year under review.

Operate leasing contracts exist particularly for buildings, office space, technical equipment and machinery, office equipment as well as vehicles and hardware.

16 Related party disclosures

According to IAS 24, the Group's related parties are

- the parent company mutares AG, Munich, and its subsidiaries and material investments outside the Group;
- other parties that can be influenced by or can influence the reporting entity, such as
    - the members of the Company's management board and supervisory board;
    - the members of mutares AG's management board and supervisory board;
    - interests held by members of the management board or supervisory board of the Company or mutares AG in companies outside of the Group and the mutares Group.

Balances and transactions between the Company and its subsidiaries that are related parties were eliminated in the process of consolidation and are not described in these notes. Details on transactions between the Group and other related parties are given below.

16.1 Business relations with mutares AG and other subsidiaries and investments not belonging to the Group

Over the course of the reporting period, Group companies conducted the following transactions with related parties not covered by the scope of consolidation. The following balances were outstanding from these transactions at the end of the reporting period:

Notes to the consolidated financial statements (continued)

kEUR	31 December 2017	31 December 2016
Goods and services received from		
mutares AG	3,256	135
subsidiaries and other investments of mutares AG not belonging to the STS Group	1,657	0
of which: Expenses for management services received from		
mutares AG	3,143	132
subsidiaries and other investments of mutares AG not belonging to the STS Group	1,657	0
Dividends paid to		
mutares AG	1,710	0
Outstanding balances from		
mutares AG	5,000	0
Commitments to		
mutares AG	1,373	57
subsidiaries and other investments of mutares AG not belonging to the STS Group	1,347	0
Collateral received from		
mutares AG	5,750	5,750
mutares AG - jointly and severally	1,700	1,700

The goods and services purchased from related parties primarily include the Group's other operating expenses vis-à-vis mutares AG and mutares France SAS, a subsidiary of mutares AG. kEUR 3,143 (2016: kEUR 132) of this resulted from management services received from mutares AG, primarily for provision of staff at a daily rate, management fees and travel costs. In addition, a small portion of the goods and services received relate to interest expenses paid to mutares AG.

In the period under review, kEUR 1,657 (2016: kEUR Nil) of the goods and services purchased from related parties resulted from management and advisory services received from mutares France SAS.

Dividends paid to mutares AG in 2017 amounted to kEUR 1,710 (2016: kEUR Nil).

Receivables from related parties consist of a EUR 5.0 million loan from the Company to mutares AG. The balance is a cash deposit of the Company in an account of mutares AG that temporarily serves as an earmarked collateral for an acquisition financing in the context of the transaction outlined in note 4.

In the year under review, the Group's obligations solely relate to current trade obligations against mutares AG and its subsidiary mutares France SAS. In 2016, the Group's obligations related to a short-term loan to the Company from mutares AG. The obligations are not secured. No guarantees were given. No write-downs were performed for uncollectible or doubtful receivables from related parties in the current or the previous reporting period.

Notes to the consolidated financial statements (continued)

The Group has received limited-term collateral of up to kEUR 5,750 from mutares AG. It serves to secure contractual obligations to two business partners outside of the STS and mutares Groups. In addition, the Group has received limited-term joint and several collateral of kEUR 1,700 from mutares AG to safeguard against any third-party claims. All the above collateral was unchanged at the end of the current reporting period compared to the end of 2016.

Furthermore, mutares AG has provided a limited-term letter of comfort to a company of the Group.

16.2 Business relations with and payments to members of the management board and the supervisory board

In the period under review and in the comparative period, there were the following business relations with key management personnel of the Group, consisting of the members of the management board and the supervisory board:

kEUR	31 December 2017	31 December 2016
Short-term benefits	793	0
Share-based payment	21	4
Total benefits	**814**	**4**

The short-term benefits are related to the compensation of the members of the Company's management board elected during the reporting period.

Since 2017 the management board of the Company consists of three members, solely working for STS Group AG. Prior to the change in the management board, the sole management board member performed his work as an employee of mutares AG and was compensated for this exclusively by mutares AG. The costs incurred at mutares AG were not passed onto companies of the Group in the period under review or in the comparative period. During that time, there were no business relations with members of the supervisory board nor payments to these persons. No benefits were granted to the members of the Company's supervisory board for their board activity.

The obligations to members of the Company's management board and the supervisory board as exhibited below are in relation to bonus provisions at the end of this reporting period.

kEUR	31 December 2017	31 December 2016
Obligations to members of the management board and the supervisory board	448	0

There were no receivables from key management personnel of the Group in this reporting period or 2016.

Notes to the consolidated financial statements (continued)

In the periods described, the Group neither granted nor received loans to or from employees in key positions.

17 Additional information according to HGB

The average number of employees is shown in the table below:

	2017	2016
Industrial employees	1,878	546
Salaried employees	4,021	436
Total	**5,899**	**982**

Auditor's fees break down as follows:

kEUR	2017	2016
Audits of financial statements	715	82
Other services	18	15
Total	**733**	**97**

18 Events after the end of the reporting period

The members of the Company's management board and mutares AG have entered into a participation bonus agreement in March 2018 under which the management board's members are entitled to receive partial payments of the positive amount of any net proceeds mutares AG receives out of its investment in STS Group AG as a result of the envisioned initial public offering.

In March 2018, STS Plastics Co., Ltd. signed a purchase agreement for a factory building outside of Shiyan, China with Yun Yang district government. The contract requires the company to pay a rent of kEUR 7 per month after initially two years without rent and to purchase the building in the fifth year for a purchase price of approximately kEUR 1,500. On the purchase price previously paid taxes to the Yun Yang district government may be partially offset.

Other than the above reported item, as of the issue date of these consolidated financial statements there were no material subsequent events that would require recognition or adjustment of the consolidated financial statements.

19 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

Notes to the consolidated financial statements (continued)

19.1 Effects of new accounting standards

19.1.1 Amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2017:

- Recog*nition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12,* and
- Disclosure initiative - amendments to IAS 7.

Adoptions of these amendments had no material impact on the Company's financial position.

19.1.2 New standards and interpretations not yet adopted

The following new or amended standards and interpretations have already been published by the IASB, but have not yet taken effect or have not yet been adopted into European law. The Company has not applied the standards early.

New standards		**Effective for annual periods beginning on or after:**	**EU endorsement status (as at 31 December 2017)**
IFRS 9	Financial instruments	1. January 2018	Endorsed
IFRS 15	Revenue from contracts with customers	1. January 2018	Endorsed
IFRS 16	Leases	1. January 2019	Endorsed
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Effective date postponed indefinitely	Not yet adopted
Amendments to IFRS 2	Classification and measurement of share-based payment transactions	1. January 2018	Not yet adopted
Annual improvements to IFRS	2014 – 2016 cycle	1. January 2017 or 2018	Not yet adopted
Amendments to IAS 40	Transfers of investment property	1. January 2018	Not yet adopted
IFRIC 22	Foreign currency transactions and advance considerations	1. January 2018	Not yet adopted
IFRIC 23	Uncertainty over income tax treatments	1. January 2019	Not yet adopted

Notes to the consolidated financial statements (continued)

IFRS 9 "Financial Instruments"

IFRS 9 Financial Instruments includes requirements for recognition, measurement and derecognition of financial assets and liabilities. The IASB issued the final version of the standard on 24 July 2014 in connection with the completion of the various phases of its extensive project on financial instruments. The previous recognition of financial instruments under IAS 39 Financial Instruments: Recognition and Measurement can now be fully superseded by recognition under IFRS 9. The current version of IFRS 9 supersedes all previous versions. The new standard is effective for annual period beginning on or after 1 January 2018. Early application is permitted. The Group will apply the standard for the first time for the financial year beginning on 1 January 2018 using the modified retrospective method.

In a group-wide project, the Group currently analyses the expected effects on the consolidated financial statements. The analysis is based on the Group's financial assets and financial liabilities as of 31 December 2017 and of the facts and circumstances existing at this date.

Classification and measurement

Based on the current project status, the Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. As there are currently no material available-for-sale assets with gains and losses recorded in OCI, there will be no material effect from the new classification and measurement requirements.

Loans as well as trade receivables are allocated to a business model when they arise. Usually these instruments are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9. The instruments that might qualify for a derecognition under factoring are either classified as "Hold to collect and sell" or "Sell". Based on this classification they might be measured at fair value. We do not expect any material impact in the case of trade receivables.

The Group will not apply the fair value option to eliminate an accounting mismatch.

Impairment

IFRS 9 requires the STS Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. STS Group will apply the simplified approach and record lifetime expected losses on all trade receivables. Currently

Notes to the consolidated financial statements (continued)

the Group expects an effect between kEUR 350 and kEUR 400 after tax from the transition which reduce retained earnings at initial application

Hedge accounting

As of the reporting date the Group has no hedging instruments and therefore there will be no effect from the transition to IFRS 9.

IFRS 15 "Revenue from Contracts with Customers"

In May 2014, the IASB published IFRS 15, "Revenue from Contracts with Customers".

The objective of IFRS 15 is to aggregate the revenue recognition rules included in various standards and interpretations and define basic principles applicable to all industries and all types of sales transactions with a five-step revenue recognition model.

IFRS 15 determines the timing and the amount of revenue recognition. Revenue recognized should reflect the transfer of the promised goods or services to the customer at the amount corresponding to the consideration that the enterprise expects to receive in exchange for those goods or services.

In addition, the new standard requires the disclosure of a number of quantitative and qualitative information.

IFRS 15 replaces IAS 11, "construction contracts", and IAS 18, "revenue", and the related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018; early adoption is permitted. The Group will apply the standard for the first time for the financial year beginning on 1 January 2018 using the modified retrospective method and will apply the standard retrospectively only to contracts that are not completed contracts on the date of initial application.

In a group-wide project, the Group analyzed the expected effects on the consolidated financial statements. Based on the findings of the analysis, the Group was able to identify matters that could have an impact on its net assets, financial position and results of operations if IFRS 15 were applied. As a supplier to the automotive and truck industry, the Group is subject to long-term supply contracts which include tooling and serial parts.

The application of IFRS 15 is expected to have the following essential effects based on the current assessment:

The separation of performance obligations (mainly tooling and serial parts) which is required under IFRS 15 if certain prerequisites are met will result in an allocation of the transaction price affecting the timing of revenue recognition (earlier revenue recognition by allocating a

Notes to the consolidated financial statements (continued)

certain portion of the transaction price to tooling). In case tooling is part of the obligations promised to the customers it is expected to lead to separate performance obligations in the majority of cases as the tools produced are separately identifiable and readily available to the customer (e.g. transfer of all rights in the tool).

For products with no alternative use due to their specifications, IFRS 15 requires revenue recognition over time, provided that the STS Group – at all times throughout the duration of the contract - is entitled to an amount that at least compensates it for performance completed to date if the contract is terminated by the customer or another party (other than STS's failure to perform as promised).

In the case of variable remuneration components such as retrospective volume discounts an impact on the amount of revenues is expected based on constraining estimates of the variable consideration.

Changes will also result from the separate disclosure of contract assets and contract liabilities in the balance sheet. An increase in total assets is expected by contract assets arising out of the allocation of transfer price to tooling and the shift in revenue recognition.

Overall the changes in the opening statement of financial position in 2018 are expected to result in an increase in retained earnings amounting to less than 500 kEUR mainly resulting out of the recognition of contract assets with regard to tooling revenues.

IFRS 16 "Leases"

In January 2016, the IASB adopted IFRS 16 "Leases", the new standard for lease accounting. IFRS 16 will replace IAS 17 and the associated interpretations.

In accordance with IFRS 16, all leases are accounted for by the lessee in such a way that the right of use associated with the lease is recognized as an asset (so-called "right of use asset") on the asset side and the corresponding discounted lease liability on the liability side.

Relief is available for leased assets of low value and for leases with short terms. The lease payments for these leases can be recognized as an expense on a straight-line basis (or another systematic basis for distribution) over the term of the lease.

Under the previous IAS 17, a distinction was made between on-balance-sheet finance leases and off-balance-sheet operating leases. This distinction between two different types of leases will no longer apply for the lessee when IFRS 16 comes into force. If a contract is classified as a lease, it falls within the scope of this Standard and must therefore be accounted for. Otherwise, it is a service contract that affects expenses.

In the case of the lessor, however, the provisions of the new standard are similar to the previous provisions of IAS 17. The criteria of IAS 17 were adopted for classification in

Notes to the consolidated financial statements (continued)

accordance with IFRS 16. IFRS 16 also contains a number of additional regulations on the disclosure and disclosures in the notes as well as on sale and leaseback transactions.

The modified retrospective approach is applied for the transition to the new regulation. As a result, the new standard will only be applied to the most recent reporting period presented in the financial statements for 2019. The effects of the application of IFRS 16 on the consolidated financial statements are currently being examined. In principle, an extension of the balance sheet is assumed due to the scope of operating lease agreements.

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments address a conflict between the requirements of IAS 28 Investments in Associates and Joint Ventures and IFRS 10 Consolidated Financial Statements. They clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business according to IFRS 3. The IASB has now deferred the effective date of the amendments indefinitely.

The Group holds no investments in associates or joint ventures. The amendments have no effect on the consolidated financial statements.

Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendments include the following clarifications:

Unrealized losses on assets recognized at fair value (e.g. fixed-interest debt instruments) but measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the Company plans to sell the instrument, to hold it to maturity, or a combination of the two.

Where tax law restricts the utilization of tax losses (e.g. if losses from the disposal of securities may only be used against corresponding gains on disposal), the Company must assess whether deferred tax assets are to be recognized for deductible temporary differences separately for deductible temporary differences of the same type.

Estimates for future taxable profits can in certain circumstances assume that an asset can be realized at greater than its carrying amount. They also exclude tax deductions resulting from the reversal of deductible temporary differences.

The management assumes that the amendments to IAS 12 will not have significant effects on the consolidated financial statements.

Amendments to IFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments involve a number of individual issues pertaining to the accounting of cash-settled share-based payment transactions. IFRS 2 now contains requirements on

Notes to the consolidated financial statements (continued)

determining the fair value of obligations resulting from share-based payment transactions. The Company does not expect material impacts due to the amendments of IFRS 2 on its consolidated financial statements.

Notes to the consolidated financial statements (continued)

Annual Improvements to IFRSs (2014-2016)

Three IFRSs were amended in the Annual Improvements to IFRSs (2014-2016). In IFRS 12, it was clarified that disclosures pursuant to IFRS 12 generally also apply to an entity's interests in subsidiaries, joint ventures and associated companies that are classified as held for sale in accordance with IFRS 5, with the exception of the disclosures outlined in IFRS 12.B10-B16 (Financial Information). In IAS 28, it was clarified that the election to measure an investment in an associated company or a joint venture held by an entity that is a venture capital organization or other qualifying entity, can be exercised on an investment-by-investment basis. The short-term exemptions in IFRS 1, Appendix E (IFRS 1.E3-E7) for first-time IFRS users were deleted. The Company does not expect material impacts due to the above mentioned amendments on its consolidated financial statements.

Supplementary information on IFRIC 22 - Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses an application question for IAS 21 - The Effects of Changes in Foreign Exchange Rates. It clarifies the point in time for determining the exchange rate used to translate foreign-currency transactions containing advance payments that have been made or received. The date of the initial recognition of an asset or liability resulting from advance consideration is essential for determining the exchange rate for the underlying asset, income or expense. The Company does not expect impacts due to the above clarifications on its consolidated financial statements.

19.2 Significant accounting and valuation principles

The consolidated financial statements are based on uniform accounting and valuation principles. The annual financial statements of the companies which are included in the consolidated financial statements are prepared as of the reporting date of the consolidated financial statements.

The main accounting and valuation principles are explained below.

19.2.1 Principles of consolidation

Subsidiaries are companies controlled by the Company. The Group gains control when it exercises the power of disposition over the associated company, is exposed to variable returns from the investment, and has the ability to use its power over the associated company to influence the amount of the associated companies return.

The assessment of control is reviewed by STS Group AG if there are indications that one or more of the aforementioned criteria have changed.

The results of the subsidiaries acquired during the year are recognized in the consolidated profit and loss statement and in the other consolidated income as of the actual date of acquisition or until the actual date of disposal.

Notes to the consolidated financial statements (continued)

The **acquisition of a company** is accounted for using the purchase method (acquisition method). The consideration transferred in the context of a company acquisition corresponds with the fair value of the assets given, the equity instruments issued and the liabilities incurred or assumed at the time of the transaction. In addition, they include the fair values of any recognized assets or liabilities resulting from a contingent consideration agreement. All costs associated with the acquisition are recognized as an expense when incurred. Assets, liabilities and contingent liabilities identifiable as parts of a business combination are initially measured for the initial consolidation at fair value at the date of acquisition.

Goodwill is recognized and tested for impairment at least once a year. It is calculated as the excess of the cost of the acquisition, the amount of the non-controlling interest of the acquiree and the fair value of any previously held equity interest at the acquisition date over the interest group of the net assets measured at fair value. If the acquisition costs are lower than the fair value of the net assets of the acquired subsidiary, the difference will be recognized directly in the consolidated income statement following a re-examination.

Balances and transactions with consolidated subsidiaries as well as income and expenses resulting therefrom are eliminated in full for the purpose of preparing the consolidated financial statements.

For temporary differences from consolidation, the tax deferrals required under IAS 12 were recognized.

19.2.2 Currency translation

The consolidated financial statements were prepared on the basis of the functional currency concept. Functional currency is the primary currency of the economic environment in which the Company operates. It is the Euro, which is also the presentation currency of the consolidated financial statements. The functional currency of the subsidiaries is usually the local currency, as these subsidiaries conduct their business independently in their respective markets. The functional currency of the Mexican subsidiary is the USD and for the Polish subsidiary it is the EUR.

In the financial statements of each individual Group company, transactions in foreign currencies are translated using the exchange rate applicable at the time of the transaction into the functional currency. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Foreign currency gains and losses resulting from these transactions are recognized in the consolidated income statement under “Other operating income” or “Other operating expenses”. This procedure applies to the foreign currency translation of the Mexican subsidiary from Mexican Peso to the functional currency USD and for the Polish subsidiary from Polish Zloty to the functional currency EUR.

Notes to the consolidated financial statements (continued)

In preparing the consolidated financial statements, the assets and liabilities of the Group's foreign subsidiaries whose functional currency is not the Euro are translated into Euro using the exchange rates prevailing on the balance sheet date. Income and expenses are translated at the average exchange rate for the period, unless the exchange rates during the period are subject to significant fluctuations. In this case, the exchange rates at the time of the transaction would apply. Translation differences arising from the translation of foreign operations into the Group functional currency are recognized in other comprehensive income and accumulated in equity.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

19.2.3 Goodwill

Goodwill results from a business combination and corresponds to the excess of the consideration transferred over the fair value of the net assets (acquired assets minus liabilities incurred or assumed). Goodwill is not subject to depreciation and amortization, but once a year and in the case of events or changes of the circumstances which indicate an impairment, is subject to an impairment test on the basis of so called cash-generating units. It is measured at cost, less any accumulated cumulated impairment losses. Impairment losses cannot be reversed.

19.2.4 Other intangible assets

Acquired intangible assets, including software and licenses and internally generated intangible assets are recognized at cost.

To determine the recognition of internally generated intangible assets research and development expenses are to be separated. Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized as an expense in the period it is incurred.

The recognition of internally generated intangible assets is based on the cumulative fulfillment of IAS 38 recognition criteria: The technical feasibility of the development project and a future economic benefit from the development project must be demonstrated and the company must have the intent and the ability to complete the intangible asset, to use it or sell it. Furthermore, adequate technical, financial and other resources must be available to complete and it must be possible to reliably determine the attributable expenditure for the intangible asset during its development.

The recognized costs cover the directly attributable costs for the development process and development-related overheads. According to IFRS, borrowing costs that are directly attributable to the acquisition, construction or production of a so called qualifying asset

Notes to the consolidated financial statements (continued)

should be recognized as part of the cost. In the reporting and comparative period, no qualified assets were acquired or generated for which it would have been necessary to recognize borrowing costs

If a useful life can be determined, then these intangible assets are amortized on a straight-line basis over the useful life. The following useful lives are used for depreciation:

	Useful life in years
Internally generated industrial property rights and similar	2 to 10
Customer relationships	5 to 11
Technologies	5
Purchased concessions and similar rights	2 to 20

Currently the Group has no intangible assets with indefinite useful lives.

19.2.5 Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation if the asset is depreciable, and impairments.

The cost of an item of property, plant and equipment covers all costs directly attributable to the acquisition of the asset. Repairs and maintenance are recognized in the consolidated income statement as an expense in the reporting period in which they are incurred. Initially internally generated assets are recognized with the directly attributable production costs and production-related overheads.

Depreciation is recognized on a straight-line basis over the estimated useful life in the consolidated income statement.

The following useful lives are mainly used:

	Useful life in years
Building	10 to 50
Technical equipment, machinery and vehicles	2 to 10
Operating and office equipment	3 to 10

Assets leased under finance leases are depreciated over the shorter of the lease term and its useful life. Land is not depreciated.

To the extent there are material elements of property, plant and equipment contain components with considerably deviating using lives, these are recognized separately and depreciated over the respective useful life.

Notes to the consolidated financial statements (continued)

According to IFRS, borrowing costs that are directly attributable to the acquisition, construction or production of a so called qualifying asset should be recognized as part of cost. In the reporting and comparative period, no qualified assets were acquired or generated for which it would have been necessary to recognize borrowing costs.

The residual values and economic useful lives are checked to the end of every reporting period and adjusted where appropriate. The economic useful lives are based on estimates and are based to a large extent on experience in relation to historical use and technical development.

Gain and loss arising from disposals of assets shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in profit or loss.

If there are indications of an impairment loss and if the carrying amount of property, plant and equipment exceeds the recoverable amount impairment losses are recognized. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. If the reason for impairment taken no longer applies, a reversal to historical cost is undertaken.

19.2.6 Impairment

For assets with a specific useful life, in accordance with IAS 36 a test is made at the end of the reporting period if there are indications of material impairment e.g. specific events or market developments which indicate a possible loss in value. In the reporting and previous period, there were no indications of impairment for depreciable intangible assets and property, plant and equipment.

Intangible assets with indefinite useful lives and internally generated assets under construction must be tested for impairment at the end of each reporting period. In the reporting period and in 2015, there were no intangible assets with indefinite useful lives.

In the case of indications for impairment or during the obligatory annual impairment test for intangible assets with indefinite useful life, the recoverable amount of the asset is determined. The recoverable amount of an asset is the higher of the fair value of the asset or cash-generating unit (CGU) less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In the latter case, the recoverable amount is to be determined on the basis of a CGU to which assets or a group of assets are allocated until an aggregation of assets that generates largely independent cash inflows is established. This is also the case for goodwill. Goodwill resulting from a business combination is allocated from the date of acquisition to the CGU or group of cash-generating units that is expected to benefit from the synergies of the combination and at which level the goodwill is monitored for internal management purposes.

Notes to the consolidated financial statements (continued)

To determine the value in use the expected cash flows are discounted to the present value on the basis of a pre-tax discount rate reflecting the current market assessments in respect to the interest effect and the specific risks of the asset. In determining the value in use, account is taken of the current and future expected income level as well as technological, economic and general development trends on the basis of approved financial budgets. To determine the fair value less costs to sell, account is taken of any recent market transactions.

If the carrying amount exceeds the recoverable amount of the asset or the CGU, an impairment loss is recognized in profit and loss at the level that the carrying amount exceeds the recoverable amount.

For goodwill if the impairment requirement is higher that the carrying amount of the goodwill of the CGU, then the goodwill is first fully amortized and the remaining impairment requirement distributed to the other assets of the CGU. In doing so for goodwill in the impairment test account is taken of the necessary impairment on individual assets of the CGU.

Reversals on the new recoverable amount are made, except for goodwill, when the reasons for the impairment in previous year no longer apply. The upper limits for reversals are the depreciated historical costs which would have resulted if no impairments have been recognized in previous years. In the reporting and comparative period, there were no reversals on intangible assets or property, plant and equipment.

19.2.7 Recognition of leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. The companies of the Company conclude contracts only as lessee.

Leases are classified as a finance lease if the leasing conditions transfer substantially all the risks and rewards incidental to lessor. Assets which are rented or leased and whose economic ownership is at the respective group company ("finance lease"), at the beginning of the contract the future leasing payments are recognized at the lower of fair value or present value. Correspondingly liabilities at the same level are recognized in the statement of financial position against the lessor under "financial liabilities". In measuring present value the interest rate underlying the agreement is used - and if not available - the marginal refinancing rate. The depreciation of these assets and the reversal of the liability take place across the contract period. If the useful life of the asset is shorter than the contract period, then this is relevant for determining the depreciation period. While the leasing asset is subject to straight-line depreciation over the term of the leasing agreement, the relevant leasing liability is amortized on a progressive basis using the effective interest rate method. As a result, during the period of the leasing contract there is a difference between the leasing obligation and the carrying amount of the leasing object.

Notes to the consolidated financial statements (continued)

Lease payments under an operating lease are recognized as an expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Operate leasing contracts existing particularly for buildings, office space, technical equipment and machinery, office equipment as well as vehicles and hardware.

The Group does not appear as lessor.

19.2.8 Cash and cash equivalents

Cash and cash equivalents are cash, immediately disposable bank assets and short-term deposits at banks, all of which have a duration below three months. Utilized bank overdrafts are recognized under current finance liabilities.

19.2.9 Financial instruments

In accordance with IAS 32, a financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. According to IFRS, they can include non-derivative financial instruments, such as trade receivables and payables, as well as derivative financial instruments.

Upon initial recognition, financial assets and financial liabilities are designated at fair value, which generally corresponds to origination cost. Transaction costs which are directly attributable to the acquisition or issue of the financial instrument are only then recognized at carrying amount if the corresponding financial instrument is not measured at fair value with changes in fair value recognized in profit or loss. The subsequent measurement depends on the categorization of the financial instruments.

a) Financial assets

A financial asset is any asset that is in particular:

- Trade and other receivables,
- Other financial assets and
- Cash and cash equivalents

Financial assets with a remaining term of more than twelve months are presented separately as non-current financial assets.

The Company divides financial assets into one of the following categories, with the "held to maturity financial assets" category not used by the Group due to lack of relevance.

Assets at fair value through profit or loss

Assets at fair value through profit or loss are financial assets held for trading purposes. A financial asset is assigned to this category if it is acquired with the intention to sell in the

Notes to the consolidated financial statements (continued)

short term. Derivatives also are included in this category if they do not qualify as hedges (cf. below). Any gain or loss resulting from the fair value measurement is recognized in profit or loss. The recognized net gain or loss includes any dividends and interest on the financial asset. As of 31 December 2017 and 31 December 2016 there were no assets at fair value through profit and loss.

Available-for-sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated to this category or cannot be assigned to any of the other categories. This category includes equity investments and debt securities. After initial measurement, Available for sale financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited to the Available for sale reserve until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available for sale reserve to the statement of profit or loss in finance costs. Interest earned whilst holding available for sale financial assets is reported as interest income using the effective interest rate method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at amortized cost less impairment losses using the effective interest rate method. Group loans and receivables are recognized in the consolidated statement of financial position under “Trade and other receivables”, “Other financial assets” and “Cash and cash equivalents”.

b) Impairment of financial assets

Financial assets, with the exception of the financial assets measured at fair value through profit or loss, are tested for possible impairment indicators at each reporting date. Financial assets are considered impaired if, as a result of one or more events occurring after the initial recognition of the asset, there is an objective indication that the expected future cash flows of the financial assets have changed negatively.

In the case of equity investments classified as available for sale, a substantial or persistent reduction in the fair value of the assets below their acquisition costs is an objective indication of an impairment.

For all other financial assets, there may be objective indications for an impairment in the following:

- significant financial difficulties for the issuer or counterparty,
- a breach of contract such as a default or default of interest or redemption payments,
- an increased likelihood that the borrower will enter into insolvency or any other restructuring, or

Notes to the consolidated financial statements (continued)

- the disappearance of an active market for this financial asset caused by financial difficulties.

For some categories of financial assets, e.g. trade receivables for which there is no impairment on a one-off basis, an impairment test is carried out on a portfolio basis. An objective indication of an impairment of a portfolio of receivables may be the Group's past experience of past payments, an increase in the frequency of defaults within the portfolio, and observable changes in the national or local economic environment to which defaults of receivables are linked.

In the case of financial assets measured at amortized cost, the impairment loss corresponds to the difference between the carrying amount of the asset and the present value of the expected future cash flows at the original effective interest rate of the financial asset.

Impairment results in a direct reduction in the carrying value of all financial assets affected, except for trade receivables whose carrying value is reduced by an impairment account. If a value-adjusted trade receivable is assessed as uncollectible, consumption is made against the impairment account. Subsequent inputs to amounts already recognized as an allowance are also posted against the impairment account. Changes in the carrying value of the impairment account are recognized in profit or loss through the consolidated statement of profit or loss.

If the amount of the impairment loss of a financial asset valued at amortized cost in one of the following financial years decreases and if this reduction can be attributed objectively to an event occurring after the impairment was recognized, the previously recorded impairment is reversed through the consolidated statement of profit or loss. However, a write-up may not exceed the amount that would have resulted if the cost of the asset had been amortized without impairment.

c) Financial liabilities

The financial liabilities primarily include:

- Trade payables
- Other financial liabilities (especially liabilities to banks)

Trade payables

At initial recognition, trade payables are measured at nominal value which corresponds to the fair value. As there are only current trade payables, the effective interest method is not used in any subsequent measurement.

Notes to the consolidated financial statements (continued)

Other financial liabilities

At initial recognition other financial liabilities are measured at fair value less transaction costs incurred.

Financial liabilities from original financial instruments are measured at amortized cost using the effective interest rate method. Financial assets and financial liabilities from derivative financial instruments, for which there is no hedge accounting, are measured at fair value through profit or loss.

The liability is classified as current because, at the end of the reporting period date, the entity does not have an unconditional right to defer its settlement to at least twelve months after the balance sheet date.

Financial instruments are derecognized from the balance sheet, if the rights for payments are expired or transferred and the Group transfers materially all risks and rewards relating to ownership.

Netting of financial assets and liabilities is only done, if netting amount is legally enforceable at that point in time. Due to lack of fulfilling this requirement, the Group does not net financial assets and liabilities.

The fair-value option in accordance to IAS 39 is not used.

d) Derivative financial instruments

Within the the Group derivative financial instruments are used to manage risks from interest rate changes. Derivative financial instruments are initially recognized as asset or liability at fair value within the category of financial assets at fair value through profit or loss or financial liabilities at fair value through profit or loss.. Attributable transaction costs are recognized as an expense in the period in which they are incurred. With the exception of derivatives used as hedging instrument that are designated as hedging instruments in a cash flow hedge, all derivatives are measured at fair value through profit or loss. This corresponds to the market value which is determined and provided by the counterparties involved on the basis of recognized financial mathematical models. They are reported as “Other financial assets” or “Other financial liabilities” in the statement of financial position.

Currently, the Group does not apply hedge accounting.

19.2.10 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost of raw materials, consumables and supplies is determined using the rolling average. In addition, incidental acquisition costs are taken into account: Work in progress and internally generated finished goods are recognized at cost. Cost includes, not only material, production and special

Notes to the consolidated financial statements (continued)

individual costs of production, plus an allocation of appropriate parts of overheads attributable to production as well as production-related depreciation.

Net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

19.2.11 Pensions and similar obligations

The Group has pension obligations from defined benefit pension plans. Pension obligations are measured in accordance with IAS 19 using the projected unit credit method on the basis of actuarial reports. Recognized here are not only pensions known and vested at the end of the reporting period but also expected future increases of pensions and salaries.

Net interest expense of the reporting period is determined by multiplying the net obligation and the underlying discount rate.

Actuarial gains and losses from the measurement of the defined-benefit gross obligation and adjustments are recognized in other comprehensive income and presented separately in the statement of comprehensive income. Expenses from unwinding performance obligations are recognized in the financial result. Current service costs is recognized in staff costs, with past service cost from plan changes recognized immediately through profit and loss.

19.2.12 Other provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation (see IAS 37.14).

The provision amount is recognized at the expected settlement amount. Non-current provisions are discounted on the basis or the relevant market interest rates to the end of the reporting period.

19.2.13 Recognition of income and expense

Sales are recognized as revenue at the fair value of the consideration received or receivable, less any returns, trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognized if based on the agreement with the respective customer (1) the significant risks and rewards associated with ownership of the goods and products were transferred to the buyer, (2) it is sufficiently probable that the economic benefits associated with the transaction will flow to the enterprise, (3) the costs incurred and the returns in respect of the transaction can be measured reliably, (4) the enterprise does not

Notes to the consolidated financial statements (continued)

retain effective control over the goods and (5) the amount of revenue can be measured reliably. Depending on the respective customer contract and the respective order, the time of revenue recognition regularly is the same at the time of delivery or acceptance.

Other income and expenses

Interest is recognized on an accrual base as income or expense using the effective interest rate method. Interest income and expense arise mainly from cash at banks, loans, lease and factoring agreements as well Dividend income is recognized at the date that the right to receive the payment arises.
Expenses are recognized when the service is used or as of the date on which they occur.

Research costs are recognized through profit or loss in the period in which they are incurred. Expenses for development are recognized in profit and loss when incurred, unless they are development costs which must be recognized as intangible assets as a result of the relevant conditions according to IAS 38 being present.

19.2.14 Income taxes

The income tax expense represents the sum of current tax expense and deferred tax.

Current taxes

The current tax expense is calculated on the basis of the taxable income for the year. The taxable income differs from the net income from the consolidated statement of comprehensive income due to expenses and income which are taxable or tax-deductible in later years or not at all taxable or tax-deductible. The group's current tax liabilities are calculated on the basis of the currently applicable tax rates or the tax rates which will be applicable shortly with respect to the balance sheet date.

Deferred taxes

Deferred taxes are calculated in accordance with IAS 12 on the basis of the internationally customary balance sheet liability method (liability method). Thereafter, deferred taxes are formed for all temporary differences between the tax bases and the valuations in the consolidated balance sheet as well as for tax loss carryforwards.

Deferred taxes on these determined differences are always recognized when they result in deferred tax liabilities. Deferred tax assets are only taken into account if it is probable that the corresponding tax benefits will be realized. Deferred tax assets and liabilities are also recognized on temporary differences arising in connection with company acquisitions, with the exception of temporary differences on goodwill, if these are not taken into account for tax purposes.

Deferred taxes are calculated using the tax rates for future years insofar as they have already been legally stipulated or the legislative process has essentially been completed.

Notes to the consolidated financial statements (continued)

Changes in deferred taxes in the balance sheet generally result in deferred tax expenses or income. If certain events which result in a change of deferred taxes are posted directly to equity, the change of the deferred taxes is also recognized directly in equity.

19.2.15 Government grants

Government grants, including non-monetary grants at fair value, shall not be recognized until there is reasonable assurance that:

a) the enterprise will comply with the conditions attaching to them and
b) the grants will be received.

Grants are recognized as income over the periods in which the related costs where there are intended to compensate are incurred. Grants received as compensation for expenses incurred are recognized through profit in loss in the period in which they are incurred.

Government grants relating to STS MCR S.A.S., France amounting to kEUR 156 were recorded as non-current liability and are realized over the useful life of the underlying building.

INDEPENDENT AUDITOR'S REPORT

To STS Group AG, Hallbergmoos

Opinion

We have audited the consolidated financial statements of STS Group AG, Hallbergmoos and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year from 1 January to 31 December 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the financial year from 1 January to 31 December 2017 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the ethical requirements of the German professional provisions that are relevant to our audit of the consolidated financial statements in Germany, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Munich, 26 April 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dietmar Eglauer	ppa. Christoph Tübbing
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

23.3 Consolidated financial statements of STS Group AG according to IFRS as of 31 December 2016 including consolidated statement of changes in equity and consolidated cash flow statement (audited)

Consolidated statement of profit or loss

For the year ended 31 December 2016

kEUR	Note	2016	2015
Revenues	5.1	136,159	134,527
Increase or decrease of finished goods and work in progress		-1,276	-1,472
Other operating income	5.2	5,597	1,704
Material expenses	5.3	-85,188	-84,287
Personnel expenses	5.4	-33,304	-32,646
Depreciation and amortization expenses	5.5	-2,536	-2,918
Other operating expenses	5.6	-10,610	-11,265
Interest and similar income	5.7	1	72
Interest and similar expenses	5.7	-867	-1,329
Income before income tax expense		**7,976**	**2,386**
Income tax expense	5.8	-472	-391
Income after income tax expense		**7,504**	**1,995**
Thereof attributable to owners of STS Group AG		7,504	1,995
Earnings per share in EUR (basic)	5.9	**0.15**	**0.04**
Earnings per share in EUR (diluted)	5.9	**0.15**	**0.04**

Consolidated statement of comprehensive income

For the year ended 31 December 2016

kEUR	Note	2016	2015
Income after income tax expense		**7,504**	**1,995**
Remeasurements of defined benefit plans, net of tax	6.14.1	-86	168
Items that will not be reclassified to profit or loss		-86	168
Other comprehensive income, net of income taxes		-86	168
Total comprehensive income		**7,418**	**2,163**
Thereof attributable to owners of STS Group AG		7,418	2,163

Consolidated statement of financial position

As of 31 December 2016

kEUR	Note	31 December 2016	31 December 2015	01 January 2015
ASSETS				
Intangible assets	6.1	4,856	207	143
Property, plant and equipment	6.2	29,103	16,852	18,688
Other financial assets	6.3	142	150	156
Income tax receivables	6.4	296	296	296
Other non-financial assets	6.5	453	414	412
Deferred tax assets	6.6	755	610	559
Non-current assets		**35,605**	**18,529**	**20,254**
Inventories	6.7	13,204	11,412	13,133
Trade and other receivables	6.8	34,354	31,236	29,363
Other financial assets	6.9	1,865	724	0
Other non-financial assets	6.10	880	1,164	1,928
Cash and cash equivalents	6.11	2,608	1,252	2,272
Current assets		**52,911**	**45,788**	**46,696**
Total assets		**88,516**	**64,317**	**66,950**
EQUITY AND LIABILITIES				
Share capital		50	50	50
Capital reserve		1,594	15	0
Retained earnings		14,547	7,043	5,048
Other reserves		82	168	0
Equity attributable to owners of STS Group AG	6.12	16,273	7,276	5,098
Total equity		**16,273**	**7,276**	**5,098**
Trade payables		517	392	612
Other financial liabilities	6.13	15,382	7,246	6,483
Provisions	6.14	10,962	8,287	9,107
Deferred tax liabilities	6.6	2,590	0	0
Non-current liabilities		**29,451**	**15,925**	**16,202**
Trade payables	6.15	28,183	23,862	27,571
Other financial liabilities	6.16	5,023	7,503	8,570
Provisions	6.14	246	307	255
Other non-financial liabilities	6.17	9,340	9,444	9,254
Current liabilities		**42,792**	**41,116**	**45,650**
Total equity and liabilities		**88,516**	**64,317**	**66,950**

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Attributable to shareholders of STS Group AG						
kEUR	**Number of shares**	**Share capital**	**Capital reserve**	**Retained earnings**	***Remeasuring gains/losses***	**Other reserves**	**Total equity**
Balance at 1 January 2015	**50,000**	**50**	**0**	**5,048**		**0**	**5,098**
Capital increase, cash-based			15			0	**15**
Income after income tax expense				1,995		0	**1,995**
Other comprehensive income					*168*	168	**168**
Balance at 31 December 2015	**50,000**	**50**	**15**	**7,043**	***168***	**168**	**7,276**
Capital increase, cash-based			1,575			0	**1,575**
Equity-settled share-based payment			4			0	**4**
Income after income tax expense				7,504		0	**7,504**
Other comprehensive income					*-86*	-86	**-86**
Balance at 31 December 2016	**50,000**	**50**	**1,594**	**14,547**	***82***	**82**	**16,273**

Consolidated statement of cash flows

For the year ended 31 December 2016

kEUR	Note	2016	2015
Cash flows from operating activities			
Income after income tax expense		**7,504**	**1,995**
Changes in			
Inventories		1,097	1,721
Trade receivables		-3,118	-1,873
Other receivables		-1,899	-7
Trade payables		3,428	-977
Other liabilities		-6,324	-4,774
Provisions		2,614	-768
Adjustments for			
Bargain purchase gain from business combination		-5,250	0
Loss on disposal of property, plant and equipment		-7	0
Depreciation of property, plant and equipment		2,425	2,851
Amortization of intangible assets		111	67
Other non-cash income and expenses		-82	168
Income taxes paid		-559	-235
Income tax income/expense		472	391
Net interest expense		866	1,257
Net cash flows from operating activities		**1,278**	**-184**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		27	0
Disbursements for acquisition of a business, net of cash acquired	7	-4,134	0
Disbursements for investments in property, plant and equipment	7	-5,974	-1,015
Disbursements for investments in intangible assets		-224	-131
Net cash flows from investing activities		**-10,305**	**-1,146**
Cash flows from financing activities			
Proceeds from issue of share capital		0	15
Proceeds from share premium reserves		1,575	0
Proceeds from borrowings	7	12,160	2,220
Repayments of borrowings		-2,626	-718
Interest paid		-727	-1,279
Interest received		1	72
Net cash flows from financing activities		**10,383**	**310**
Net increase/decrease in cash and cash equivalents		**1,356**	**-1,020**
Cash and cash equivalents at the beginning of the period		**1,252**	**2,272**
Cash and cash equivalents at the end of the period		**2,608**	**1,252**

1 General information

STS Group AG (the **Company**) is incorporated under German law with its registered office in Hallbergmoos, Germany. STS Group AG is entered in the commercial register of the local court of Munich, Germany, under number HRB 231926. The Company's address is Zeppelinstraße 4, Hallbergmoos, Germany.

Until 9 March 2017, the Company traded under the name mutares Holding-17 AG and was based in Weißenberg, Germany.

Ultimate parent company of the Company as of 31 December 2016 is mutares AG, Munich, Germany.

The Company is the parent company of a group of entities (the **Group**) with business operations in the automotive supplier industry. The Group operates in the area of NVH (Noise, Vibration, Harshness) by optimizing the vibro-acoustic performances of vehicles. Furthermore the Group produces plastic components mainly for commercial vehicles. The product portfolio covers internal components such as cooling boxes or shelf elements as well as external components such as bumpers or side panels.

2 Basis of preparation

The 2016 consolidated financial statements of the Company, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and supplementary notes, were prepared according to the International Financial Reporting Standards (IFRS) as applicable in the European Union, well as with the supplementary commercial law regulations of Article 315e (3) of the German Commercial Code (HGB). The term IFRS also refers to all valid International Accounting Standards (IAS) and all interpretations and amendments of the International Financial Reporting Standards Interpretations Committee (IFRS IC) - formerly International Financial Reporting Interpretations Committee (IFRIC) - and the former Standing Interpretations Committee (SIC).

The consolidated financial statements were prepared on the basis of historical cost, except derivative financial instruments, which were measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions (e.g. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2: Inputs other than quoted prices from Level 1 that are directly observable or can be indirectly derived for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability.

As a rule, the Group classifies assets and liabilities as current if they are expected to be realized or settled within twelve months after the end of the reporting period. If assets and liabilities have both current and non-current components, they are broken down into these different components and recognized as current and non-current assets or liabilities according to the structure of the statement of financial position.

The consolidated income statement is prepared in line with the nature of expense method. The Company prepares and publishes the consolidated financial statements in euros (EUR). Unless otherwise indicated, all values are rounded to the nearest thousand euros (kEUR). Deviations of up less than one unit (kEUR, %) are mathematical rounding differences.

All IAS/IFRS (International Accounting Standards/International Financial Reporting Standards) whose application was mandatory for 31 December 2016 and all SIC/IFRIC (Standing Interpretations Committee/International Financial Reporting Interpretations Committee) interpretations approved by the European Union and effective as of 31 December 2016 were complied with.

3 Scope of consolidation

3.1 Fully consolidated entities

In the reporting period, the Company's scope of consolidation comprised the parent company plus six (2015: three) fully consolidated entities. As in 2015, only the parent company was based in Germany and six (2015: three) were based abroad.

As of 31 December 2016, the scope of consolidation comprised the parent company and the following fully consolidated entities:

Company	Domicile	Ownership interest % 31 December 2016	Ownership interest % 31 December 2015	Ownership interest % 01 January 2015
STS Acoustics S.p.A.	Italy	100	100	100
STS Real Estate S.R.L.	Italy	100	100	100
STS Acoustics Poland sp. z o.o.	Poland	100	100	-
STS Plastics S.A.S.	France	100	-	-
STS Plastics Holding S.A.S.	France	100	-	-
STS MCR Holding S.A.S.	France	100	-	-

3.2 Changes in the scope of consolidation

The Company founded STS Plastics S.A.S., Paris, France with paid-in capital of kEUR 25 on 19 September 2016. As of 23 December 2016 STS Plastics S.A.S., acquired a business by way of an asset deal from Mecaplast France S.A.S., Clamart, France.

In addition, STS Plastics Holding S.A.S and STS MCR Holding S.A.S., Paris, France, were founded in December 2016 with paid-in capital of kEUR 25 each. The entities were included in the consolidated financial statements from the date they were founded.

4 Business combinations

In the reporting period, STS Plastics S.A.S. acquired a business by way of an asset deal.

The Group acquired no subsidiaries in 2015.

By purchase agreement dated 15 December 2016, the Company (trading under the name mutares Holding-17 AG until 9 March 2017) acquired via its French subsidiary STS Plastics S.A.S. two production plants from Mecaplast France S.A.S., in an asset deal effective 23 December 2016.

The business acquired relates to the production of molded hard trim for light and heavy truck OEMs, the employees and related plans and liabilities.

The asset deal covered the production and assembly of interior and exterior trim parts and underhood parts such as parcel shelves, storage compartment, front masks, exterior panels and wheel covers for passenger cars, tractors and light and heavy trucks with plants in Izernore, France, and Précigné, France.

The customer relationships acquired include renowned European truck manufacturers.

The production of interior and exterior trim parts for light and heavy trucks is an ideal complement to STS' existing product portfolio, especially with regard to the existing truck business, and provides a great deal of synergy and cross-selling opportunities.

The acquisition-date fair value of the total cash consideration transferred was kEUR 5,000. The transaction was financed by external bank loans (see note 6.16) and a cash capital increase on STS Plastics S.A.S. level by the Company.

The ancillary acquisition costs incurred for the transaction up to the acquisition date were recognized in other operating expenses.

As of the acquisition date, the amounts of the identifiable assets acquired and assumed liabilities were as follows:

Notes to the consolidated financial statements (continued)

kEUR	**Fair Value**
Intangible assets	4,536
Property, plant and equipment	8,722
Non-current assets	**13,258**
Inventory	2,889
Current assets	**2,889**
Deferred tax liabilities	-2,480
Non-current liabilities	**-2,480**
Liabilities	-3,417
Current liabilities	**-3,417**
Net assets	**10,250**
Bargain purchase gain	**5,250**
Total purchase consideration	**5,000**

No separable technology related intangible assets were identified. As of acquisition date the two production plants produced for the main customers several products for long-term platforms. The fair value of these customer relationships amounts to kEUR 4,531 and relates primarily to OEM customers who produce heavy- und light-weight trucks.

The netting of acquisition costs and the remeasured net assets resulted in a bargain purchase gain of kEUR 5,250, which was recognized in other income. The related transactions costs recognized in other expenses amounted to kEUR 337.

The gain from a bargain purchase derives from the circumstances of the sell-side that sold the business in an effort to concentrate on core business in order to refocus and reposition itself strategically. The Group considers the bargain purchase attractive as it can use its current overhead structure (for the business), without having to set up a new structure and benefits from a similar customer base. STS will invest in the future set up, organization and extension of the business acquired.

No material adverse agreements or contingent liabilities were taken on in connection with the acquisition.

Because the acquisition was closed on 23 December 2016 and due to the fact that the plant was closed over the holidays, the entity did not contribute at all to revenue and income after taxes for financial year 2016.

Notes to the consolidated financial statements (continued)

If STS Plastics S.A.S had been acquired on 1 January 2016 the business would have contributed for the twelve months of 2016 to revenue kEUR 67,754 and to income after income tax expense kEUR 1.389.

5 Notes on the consolidated income statement

5.1 Revenues

All revenues generated in 2016 and 2015 relate to the business unit Acoustics.

Revenue development by region and product group is described in the segment reporting in accordance with IFRS 8 in note 8.

5.2 Other operating income

kEUR	**2016**	**2015**
Bargain purchase gain	5,250	0
Income from other services	142	386
Income from raw material and waste recycling	107	339
Income from the disposal of fixed assets	7	6
Income from exchange rate differences	15	0
Non-periodic income	2	706
Income from remeasurement of inventories	0	110
Miscellaneous other operating income	74	157
Other operating income	**5,597**	**1,704**

The acquisition of a business by STS Plastics S.A.S. resulted in a bargain purchase gain of kEUR 5,250 in connection with a purchase price allocation (see note 4).

Income from other services comprises of recharges from the employees' use of the canteen, royalty fees and recharges for logistic expenses.

Non-periodic income in 2015 relates to the clearing of trade payables for which a claim is no longer enforceable.

5.3 Material expenses

kEUR	**2016**	**2015**
Cost of raw materials, consumables and supplies	71,371	71,806
Cost of purchased services	13,817	12,481
Material expenses	**85,188**	**84,287**

In 2016 and 2015 material expenses comprise solely of expenses for the business unit Acoustics.

Notes to the consolidated financial statements (continued)

5.4 Personnel expenses

kEUR	2016	2015
Wages and salaries	24,201	22,979
Social security	7,408	7,612
Pension contributions	1,695	2,055
Personnel expenses	**33,304**	**32,646**

In the current reporting period and in 2015, expenses were recognized for defined contribution pension plans, especially statutory pension insurance (see note 6.14.1 for details).

5.5 Depreciation and amortization expenses

In the reporting period depreciation and amortization comprise of amortization of intangible assets in the amount of kEUR 111 (2015: kEUR 67) and depreciation of property, plant and equipment in the amount of kEUR 2,425 (2015: kEUR 2,852).

5.6 Other operating expenses

kEUR	2016	2015
Packaging materials and outgoing freight	2,849	3,177
Legal and consulting costs	1,744	1,544
Rental and leasing	973	1,818
Occupancy costs	1,315	1,250
Fleet	600	640
Advertising and travel expenses	554	417
Maintenance and repair	516	575
Administration	466	334
Additions to allowances on receivables	245	361
Base levies and other taxes	236	205
Insurance premiums	175	212
Warranties	11	0
Fees and contributions	123	0
Occupational health and safety	179	195
Non-periodic expenses	0	195
Miscellaneous expenses	624	342
Other operating expenses	**10,610**	**11,265**

5.7 Interest and similar income and expenses

kEUR	2016	2015
Miscellaneous interest and similar income	1	72
Interest and similar income	**1**	**72**
Interest expense from banks/lenders	238	244
Interest expense from factoring	313	896
Interest expense from discounting provisions	285	186
Miscellaneous interest and similar expenses	31	3
Interest and similar expenses	**867**	**1,329**

Notes to the consolidated financial statements (continued)

The interest expense from discounting provisions entails the interest expense relating to pensions.

The decline in interest expenses from factoring results from the decline in the corresponding liabilities.

5.8 Income tax expense

kEUR	2016	2015
Current income tax expense	-690	-505
Deferred income tax income	218	114
Income tax expense	**-472**	**-391**

The following table shows the tax rate reconciliation of the expected tax expense and the respective disclosed tax expense in each reporting period. With respect to the actual tax rate in Germany that apply to the consolidated results taking into account a corporate tax rate of 15.0% (2015: 15.0%) plus the solidary surcharge of 5.5% of the tax due and trade income tax of 11.2% (2015: 11.2%) the total tax rate amounts to 27.0% (2015: 27.0%).

kEUR	2016	2015
Income before income tax expense	**7,976**	**2,383**
Weighted average tax rate (in %)	27.0%	27.0%
Tax expense at the weighted average tax rate	**-2,156**	**-644**
Usage of unrecognized loss carryforwards	1,577	1,269
Unrecognized deferred taxes on temporary differences and tax loss carryforwards	-90	-67
Other non tax-deductible expenses including withholding tax	-745	-749
Tax effect from gain of bargain purchase	1,418	0
Tax-rate differences	-460	-163
Additional payment of taxes and refunds from previous years	0	-23
Other effects	-16	-14
Reported income tax expense	**-472**	**-391**

With respect to IAS 12.47, the deferred tax assets and liabilities need to be evaluated by considering the actual tax rates of the period in which the temporary differences will be reversed. Thereby the tax rates which are valid or announced at the reporting date apply.

The applicable tax rates of the group companies vary between 19.0% and 33.4% (previous year: 27.0% and 33.4%).

Notes to the consolidated financial statements (continued)

5.9 Earnings per share

		2016	2015
Income after income tax expense attributable to owners of STS Group AG	kEUR	7,504	1,995
Weighted average number of ordinary shares to calculate earnings per share			
Basic	Number	50,000	50,000
Diluted	Number	50,000	50,000
Earnings per share			
Basic	€	0.15	0.04
Diluted	€	0.15	0.04

6 Notes to the consolidated statement of financial position

6.1 Intangible assets

kEUR	Internally generated intangible rights and assets	Software	Patents, concessions, other rights	Prepayments and intangible assets under development	Total
Historical cost					
Balance as of 1 January 2015	**60**	**145**	**2**	**0**	**207**
Additions	122	9	0	0	131
Balance as of 31 December 2015	**182**	**154**	**2**	**0**	**338**
Acquisitions through business combinations	0	2	4,534	0	4,536
Additions	0	224	0	0	224
Balance as of 31 December 2016	**182**	**380**	**4,536**	**0**	**5,098**

kEUR	Internally generated intangible rights and assets	Software	Patents, concessions, other rights	Prepayments and intangible assets under development	Total
Cumulative amortization and impairment					
Balance as of 1 January 2015	**-12**	**-52**	**0**	**0**	**-64**
Amortization	-38	-29	0	0	-67
Balance as of 31 December 2015	**-50**	**-81**	**0**	**0**	**-131**
Amortization	-37	-74	0	0	-111
Balance as of 31 December 2016	**-87**	**-155**	**0**	**0**	**-242**
Net carrying amounts					
As of 1 January 2015	48	93	2	0	143
As of 31 December 2015	132	73	2	0	207
As of 1 January 2016	132	73	2	0	207
As of 31 December 2016	95	225	4,536	0	4,856

Notes to the consolidated financial statements (continued)

STS Plastics S.A.S. has acquired a business by way of an asset deal. In a purchase price allocation, kEUR 4,534 of the measurement basis was attributable to patents, concessions and other rights.

The item software primarily includes computer software. In the year under review, additions totaled kEUR 224 (2015: kEUR 9).

In the current reporting period - like in 2015 - no impairment losses were recognized on intangible assets. The amortization of kEUR 111 (2015: kEUR 67) was recognized in the consolidated income statement under "Depreciation and amortization expense". No impairment losses or reversals of impairment losses were recognized in the periods shown.

6.2 Property, plant and equipment

kEUR	Land and buildings	Technical equipment and machinery	Operating and office equipment	Advance payments and assets under development	Total
Historical cost					
Balance as of 1 January 2015	**8,980**	**96,916**	**3,253**	**0**	**109,149**
Additions	0	959	57	0	1,016
Disposals	0	-2,813	-23	0	-2,836
Balance as of 31 December 2015	**8,980**	**95,062**	**3,287**	**0**	**107,329**
Acquisitions through business combination	5,400	3,219	103	0	8,722
Additions	3,858	1,858	17	240	5,973
Disposals	0	-4,054	-446	0	-4,500
Balance as of 31 December 2016	**18,238**	**96,085**	**2,961**	**240**	**117,524**

kEUR	Land and buildings	Technical equipment and machinery	Operating and office equipment	Advance payments and assets under development	Total
Cumulative depreciation					
Balance as of 1 January 2015	**-474**	**-86,857**	**-3,130**	**0**	**-90,461**
Depreciation	-188	-2,613	-51	0	-2,852
Disposals	0	2,813	23	0	2,836
Balance as of 31 December 2015	**-662**	**-86,657**	**-3,158**	**0**	**-90,477**
Amortization	-230	-2,147	-48	0	-2,425
Disposals	0	4,035	446	0	4,480
Balance as of 31 December 2016	**-892**	**-84,769**	**-2,760**	**0**	**-88,422**
Net carrying amounts					
As of 1 January 2015	8,506	10,059	123	0	18,688
As of 31 December 2015	8,318	8,405	129	0	16,852
As of 1 January 2016	8,318	8,405	129	0	16,852
As of 31 December 2016	17,346	11,316	201	240	29,103

The business acquisition by STS Plastics S.A.S. involved the acquisition of land and buildings of kEUR 5,400, technical equipment and machinery of kEUR 3,219 and operating and office equipment of kEUR 103.

The other additions to land and buildings of kEUR 3,858 primarily related to additions in Italy. Investments were made in buildings on third-party land, among other things. The corresponding carrying amount at the end of the reporting period is kEUR 17,346.

Investments in technical equipment and machinery were primarily made in Italy.

Advance payments and assets under construction with a carrying amount of kEUR 240 (2015: kEUR Nil) relate largely to investment projects of STS Acoustics Poland Sp. z o.o. under construction.

The depreciation on property, plant and equipment of kEUR 2,425 (2015: kEUR 2,852) was recognized in the consolidated income statement under “Depreciation and amortization expense”. No impairment losses or reversals of impairment losses were recognized on property, plant and equipment in the periods shown.

6.3 Other non-current financial assets

The other non-current financial assets of kEUR 142 (2015: kEUR 150) relate primarily to security deposits of STS Acoustics S.p.A at kEUR 105 (2015: kEUR 112).

6.4 Non-current income tax receivables

As of the reporting date income tax receivables relate to STS Acoustics S.p.A. (31 December 2016: kEUR 296; 31 December 2015: kEUR 296).

6.5 Other non-current non-financial assets

kEUR	31 December 2016	31 December 2015	01 January 2015
VAT receivables	29	0	0
Other tax refund claims	312	391	390
Advance payments on salaries	40	23	22
Miscellaneous	72	0	0
Other non-current non-financial assets	**453**	**414**	**412**

Notes to the consolidated financial statements (continued)

6.6 Deferred tax assets and liabilities

The total amount of deferred tax assets and liabilities results from the following items:

kEUR	31 December 2016		31 December 2015		01 January 2015	
	DTA	DTL	DTA	DTL	DTA	DTL
Intangible assets	153	1,509	264	0	355	0
Tangible assets	40	1,062	133	0	0	0
Other non-current financial assets	0	0	0	0	0	0
Inventories	0	20	0	0	0	0
Trade and other receivables	159	19	124	0	62	0
Other current assets	0	0	0	0	0	0
Provisions for pensions and similar obligations	193	0	62	0	144	0
Other long term provisions	83	1,160	99	2,422	125	3,891
Other short term provisions and liabilities	0		0	0	0	0
Trade payables	4	0	0	0	0	0
Loss carryforwards	1,303	0	2,350	0	3,764	0
Deferred taxes before netting out	**1,935**	**3,770**	**3,032**	**2,422**	**4,450**	**3,891**
Netting out	-1,180	-1,180	-2,422	-2,422	-3,891	-3,891
Deferred taxes netted	**755**	**2,590**	**610**	**0**	**559**	**0**

In general, deferred tax assets for deductible temporary differences as well as tax loss carryforwards need to be recognized for companies, which will have sufficient taxable income in future periods in order to be able to utilize the tax benefits from temporary differences and loss carryforwards.

At the end of the reporting period, deferred taxes in the amount of kEUR 36 thousand (2015: kEUR 64) from the measurement of the defined benefit obligation pursuant to IAS 19 were offset against equity.

Deferred tax liabilities for differences in the amount of kEUR 14,542 (2015: kEUR 7,043) for differences and non-distributed profits of STS Group subsidiaries were not recorded due to the existence of control pursuant to IAS 12.39.

Of the total tax loss carryforwards of kEUR 51,012(2015: kEUR 56,534), an amount of kEUR 4,736 (2015: kEUR 8,544) is expected to be usable within a reasonable period. Deferred tax assets of kEUR 1,303 (2015: 2,350) were recognized for the amount of tax loss and carryforwards expected to be usable.

Netting relates to the offset of deferred tax assets and liabilities within individual entities or tax groups to the extent that they relate to the same tax authorities. The deferred tax assets include non-current deferred tax assets of kEUR 598 (2015: kEUR 417). The deferred tax liabilities include non-current deferred tax liabilities of kEUR 3,455 (2015: kEUR 1,262).

Notes to the consolidated financial statements (continued)

6.7 Inventories

kEUR	31 December 2016	31 December 2015	01 January 2015
Raw materials, consumables and supplies	6,029	4,645	5,004
Work in progress	4,161	4,576	6,095
Finished goods and goods for resale	3,014	2,191	2,034
Inventories	**13,204**	**11,412**	**13,133**

The costs of individual items of inventory are determined using weighted average costs.

The valuation of inventories accounts for marketability, age and all apparent price, quality and storage risks.

Inventories recognized as an expense during the reporting period amounted to kEUR 85,188 (2015: kEUR 84,287). These were included in material expenses.

In the reporting period write-downs of inventories to net realizable value amounted to kEUR 4,299 (2015: kEUR 4,847) and are included in material expenses.

6.8 Trade and other receivables

kEUR	31 Dezember 2016	31 Dezember 2015	01 January 2015
Trade and other receivables before specific valuation allowances	34,960	31,597	29,363
Less specific valuation allowances	606	361	0
Trade and other receivables	**34,354**	**31,236**	**29,363**

The specific valuation allowances on receivables relate to the Acoustics business unit in Italy.

With regard to the receivables for which valuation allowances have not been recognized and which are not in default, there are no indications that the debtors will not meet their payment obligations.

Trade receivables do not bear interest and have a term of less than one year.

The Group recognizes valuation allowances on uncollectible receivables and for general credit risks on an individual basis. They are initially recognized in allowance accounts, unless it can already be assumed when the reason for the write-down arises that the receivable will be fully or partly uncollectible. In such cases, the carrying amount of the receivable is directly written down through profit or loss.

Transfer of trade receivables

The group sold with recourse trade receivables to factoring companies for cash proceeds. These trade receivables have not been derecognized from the statement of financial position, because the Group retains substantially all of the risks and rewards – primarily credit risk. The

Notes to the consolidated financial statements (continued)

amounts received have been recognized as a liability. Depending on the arrangement with the respective factoring company, the customers remit cash directly to the group and the Group transfers the collected amounts to the factoring companies. The carrying amount of the trade receivables at the reporting date that have been transferred but have not been derecognized amount to kEUR 14,030 (2015: kEUR 13,343). See note 6.16 - other current financial liabilities for the associated liabilities from factoring.

The Group also sold trade receivables with a book value of kEUR 881 (2015:kEUR 2.357) to third parties based on factoring agreements and no material risks remain with the Group. The receivables were therefore derecognized. A deposit amounting to kEUR 494 (2015: kEUR 609) is recognized in financial assets. The group faces a risk of paying kEUR 8 (2015: kEUR 22) to the factorer in case of a late payment by the customer.

Aging of trade receivables

kEUR	31 December 2016	31 December 2015	01 January 2015
Not past due and not individually impaired	23,883	19,758	21,546
Past due but not individually impaired			
Past due 1 to 30 days	6,331	8,787	5,952
Past due 30 to 60 days	2,502	1,593	665
Past due 60 to 90 days	249	250	121
Past due 90 to 180 days	473	137	403
Past due 180 days	916	711	676
Total past due but not individually impaired	10,471	11,478	7,817
Individually impaired, net of allowances	0	0	0
Carrying amount of trade receivables, net	**34,354**	**31,236**	**29,363**

At the end of the reporting period, there is no indication of any significant defaults of trade receivables that are neither past due nor impaired.

Movements in the allowance for impairment of trade receivables

1 January 2015	**0**
Addition	361
31 December 2015	**361**
Addition	245
31 December 2016	**606**

Notes to the consolidated financial statements (continued)

6.9 Other current financial assets

kEUR	31 December 2016	31 December 2015	01 January 2015
Receivable from factorer	1,865	609	0
Security deposits	0	115	0
Other current financial assets	**1,865**	**724**	**0**

6.10 Other current non-financial assets

kEUR	31 December 2016	31 December 2015	01 January 2015
Prepayments social security	559	791	1,062
Regional tax Italy	72	80	269
Prepaid expenses	128	249	64
VAT receivables	35	30	521
Miscellaneous	86	14	12
Other current non-financial assets	**880**	**1,164**	**1,928**

Prepayments social security comprise of prepayments for the payment of short-working benefits.

6.11 Cash and cash equivalents

kEUR	31 December 2016	31 December 2015	01 January 2015
Checks	98	6	0
Cash in hand	2	4	5
Bank balances	2,508	1,242	2,267
Cash and cash equivalents	**2,608**	**1,252**	**2,272**

6.12 Equity

The individual components of equity and their development in the years 2016 and 2015 are shown in the statement of changes in equity.

Share capital

Share capital is unchanged at kEUR 50.

Capital reserve

The capital reserves amount to kEUR 1,594 (2015: kEUR 15).

kEUR 1,575 of the increase resulted from contributions to capital reserves from the parent company mutares AG.

In addition, the capital reserves increased by kEUR 4. The reserve for employee benefits to be settled in equity instruments resulted from the granting of share options by the shareholder mutares AG to members of the Company's management board as part of mutares AG's share option plan. Further information on share-based payment of employees can be found in note 10.

Retained earnings

Retained earnings include the consolidated profit or loss of kEUR 7,504 for reporting period (2015: kEUR 1,995).

Other reserves

Other reserves comprise remeasuring gains/losses with regards to the pension and similar obligations (see note 6.14.1).

6.13 Other non-current financial liabilities

The other non-current financial liabilities break down as follows:

kEUR	31 December 2016	31 December 2015	01 January 2015
Liabilities to banks	10,144	1,278	0
Third party loans	5,238	5,968	6,483
Other non-current financial liabilities	**15,382**	**7,246**	**6,483**

The increase in liabilities to banks is due to the financing of the new business unit Plastics in France (kEUR 4,500 loan nominal; six-months-Euribor plus 2%), of the investment in STS Acoustics Poland Sp. z o.o. (kEUR 4,000 loan nominal; three-months-Euribor plus 2.2%) and the purchase of a building in Italy (kEUR 3,800 loan nominal; six-months-Euribor plus 2.6%). The building was pledged as collateral for the bank loan. The current portion of the aforementioned bank loans is shown within note 6.16.

In relation to bank and third party loans assets in the following amounts are pledged:

kEUR	31 December 2016	31 December 2015	01 January 2015
Intangible assets	4,536	0	0
Property, plant and equipment	19,072	3,700	3,700
Other non-current non-financial assets	71	0	0
Inventories	2,889	0	0
Trade and other receivables	1,302	0	0
Other current non-financial assets	53	0	0
Cash and cash equivalents	866	0	0
Pledged assets	**28,789**	**3,700**	**3,700**

6.14 Provisions

The provisions break down as follows:

kEUR	31 December 2016	31 December 2015	01 January 2015
Provision for pensions and similar obligations	10,675	8,237	9,107
Other provisions	533	357	255
Provisions	**11,208**	**8,594**	**9,362**

6.14.1 Pension and similar obligations

kEUR	31 December 2016	31 December 2015	01 January 2015
Provision for pensions and similar obligations	10,675	8,237	9,107

Defined benefit plans

The pension provisions are based on country-specific legal obligations in Italy and France regarding retirement of employees. These are generally based on the remuneration and length of service of the employees. In case of France, these concern termination benefit payments. In the case of Italy, the obligation concerns only pension entitlements from services before 2007. Starting in 2007 the pension plans were redirected to an external plan due to a change in law, thereafter being a defined contribution plan. Therefore, there are no further additions to the provision other than based on interest and actuarial assumption changes. The pension plans are classified as defined benefit plans in both countries. These are uncovered pension plans whose obligations the entity itself meets as soon as they become due upon retirement of employees.

In accordance with IAS 19, the provisions for pension and similar obligations are calculated according to the projected unit credit method for defined benefit plans. The calculation is based on actuarial assessments.

The table below shows the development of the defined benefit obligation (DBO) as of 31 December 2016.

kEUR	31 December 2016	31 December 2015
DBO at 01.01.	8,237	9,108
Service cost	0	0
Interest expenses	161	139
Actuarial gains / losses		
for experience	-108	13
for demographic assumtions	0	0
for financial assumptions	221	-244
Benefits paid	-856	-779
Change in scope of consolidation	3,020	0
DBO at 31.12.	**10,675**	**8,237**

Notes to the consolidated financial statements (continued)

Change in scope of consolidation is due to the acquisition of STS Plastics S.A.S., France – see Note 4.

The pension expenses for the respective reporting period break down as follows:

kEUR	31 December 2016	31 December 2015
Interest expenses	161	139
Total amount recognized in the statement of profit or loss	**161**	**139**
Actuarial gains (-) / losses (+)	113	-231
Tax effects	-27	63
Total amount recognized in other comprehensive income	**86**	**-168**

The obligation in Italy concerns only pension entitlements from services before 2007. Therefore, there are no further additions to the provision due to service costs.

The interest expenses are recognized in the financial result.

Actuarial assumptions

Pension obligations are measured on the basis of actuarial assessments, using the following key measurement parameters:

	Italy		
	31 December 2016	**31 December 2015**	**01 January 2015**
Discount rate	1.4%	2.1%	1.6%
Mortality tables	RG48	RG48	RG48
Employee turnover	5.0%	5.0%	5.0%
Inflation	1.5%	1.8%	1.6%

	France		
	31 December 2016	**31 December 2015**	**01 January 2015**
Discount rate	1.4%	n/a	n/a
Salary increase	1.8%	n/a	n/a

Sensitivity analysis

The tables below show the effects on the DBO in the event of changes in the key actuarial assumptions. In each case, the effect on the DBO of a change in one assumption is shown, while the other assumptions remain unchanged compared to the original calculation. As a result, correlation effects between the assumptions are not taken into account. The presented changed

Notes to the consolidated financial statements (continued)

DBO applies only to the specific size of the change in the individual assumption. A straight-line effect on the DBO cannot be assumed if the assumptions change by a different amount.

			kEUR	
Italy		**31 December 2016**	**31 December 2015**	**01 January 2015**
Discount rate	+0.5%	7,383	7,941	8,762
	-0.5%	7,944	8,552	9,748
Employee turnover	+1.0%	7,631	8,222	9,070
	-1.0%	7,682	8,253	9,149
Inflation	+0.25%	7,743	8,333	9,220
	-0.25%	7,569	8,142	8,998
Mortality	+1	7,675	8,247	9,134
	-1	7,630	8,224	9,078

France		**31 December 2016**	**31 December 2015**	**01 January 2015**
Discount rate	+0.5%	2,834	n/a	n/a
	-0.5%	3,224	n/a	n/a
Salary trend	+1.0%	3,440	n/a	n/a
	-1.0%	2,661	n/a	n/a

When calculating the effects on the DBO, the same calculation method (projected unit credit method) was used on which the calculation of pension provisions at the end of the year was based on.

Expected pension payments

The following table shows the expected pension payments for the next five years:

Expected Pension Payments	kEUR
2017	380
2018	782
2019	650
2020	950
2021	623

The average duration of the benefit obligation obligations as of 31 December 2016 is 7.9 years (2015: 8.1 years) for Italy and 13.5 (2015: Nil) for France. In France the benefit is a one-time payment upon the start of retirement from the company.

6.14.2 Other provisions

The following provisions are reported as other provisions in the statement of financial position:

Notes to the consolidated financial statements (continued)

kEUR	Jubilee benefits	Other	Total
1 January 2015	**0**	**255**	**255**
Provisions made during the year	0	251	251
Provisions used during the year	0	-149	-149
31 December 2015	**0**	**357**	**357**
Acquired through business combination	287	0	287
Provisions used during the year	0	-111	-111
31 December 2016	**287**	**246**	**533**
thereof			
current	0	246	246
non-current	287	0	287

Other non-current provisions - besides pension obligations - include jubilee benefit provision concerning France. It is being accumulated according to the employee's current length of service and discounted at a rate of 1.4% (2015: n/a). The provision is recognized on the basis of current employee numbers and future entitlements to the payments. As in 2015, the calculated values are based on assessments that, in accordance with recognized actuarial principles and via the projected unit credit method (PUC method), use a turnover rate of between 0.0% and 5.0% depending on age and the INSEE 2012-2014 mortality tables as the basis for biometric calculations.

The current provisions relate primarily to anticipated losses from uncompleted transactions in the amount of kEUR 246 (2015: kEUR 306).

6.15 Current trade payables

The trade payables of 31 December 2016 of kEUR 28,183 (2015: kEUR 23,862) are exclusively to third parties and are secured to the extent customary in the industry by the suppliers' retention of title.

6.16 Other current financial liabilities

The other current financial liabilities break down as follows:

kEUR	31 December 2016	31 December 2015	01 January 2015
Liabilities to banks	2,088	604	0
Liabilities from factoring	722	3,512	8,458
Outstanding invoices	1,934	2,952	0
Other financial liabilities	71	285	62
Third party loans	208	150	50
Other current financial liabilities	**5,023**	**7,503**	**8,570**

The current liabilities to banks of kEUR 2,088 (2015: kEUR 604) relate to repayment instalments of non-current liabilities to banks that are due within one year (see note 6.13.).

Notes to the consolidated financial statements (continued)

6.17 Other current non-financial liabilities

kEUR	31 December 2016	31 December 2015	01 January 2015
Employee related liabilities	5,452	5,208	5,124
Liabilities from payroll and church taxes	721	703	661
Social security	1,510	1,088	1,140
Advance payments received on orders	1,008	2,105	2,287
VAT liabilities	253	303	34
Deferred income	8	8	8
Miscellaneous other liabilities	388	29	0
Other current non-financial liabilities	**9,340**	**9,444**	**9,254**

Employee related liabilities mainly relate to variable remuneration and vacation accruals.

7 Notes on the consolidated statement of cash flows

Net cash flows from investing activities includes kEUR 4,134 cash out for acquisition of a business by STS Plastics S.A.S . The disbursements for investments in property, plant and equipment mainly relate to the acquisition of land, buildings and technical machinery.

Cash flows from financing activities mainly comprise of proceeds from borrowings in the amount of kEUR 12,300 mainly relating to the bank loans assumed in 2016.

As part of the acquisition in 2016 the Group obtained cash and cash equivalents amounting to kEUR 866.

8 Segment reporting

Under IFRS 8, operating segments must be defined on the basis of the internal reporting on Group business units that is regularly reviewed by the Company's chief operating decision maker in order to make decisions on the allocation of resources to these segments and to assess their performance. Information reported to the management board as the chief operating decision maker for the purpose of allocating resources to the Group's operating segments and assessing their performance relates to the products that are manufactured or rendered. The Company's management board decided to organize the reporting according to types of products. No operating segments were aggregated in order to reach the level of the Group's reportable segments.

At STS, operations were led as a one-segment company (Acoustics) until the business acquisition described in Note 4 ("Bellini acquisition") which will be managed as a separate segment (Plastics) going forward. The products behind the two segments are as follows:

- Plastics segment: This segment produces plastic parts, largely for commercial vehicles. The product range encompasses interior parts (cool boxes, shelf elements) and exterior parts

Notes to the consolidated financial statements (continued)

(bumpers, side trim panels). Injection molding and SMC compression molding technologies are used. In addition, the business unit has its own capacity for painting plastic.

- Acoustics segment: This segment focuses on products relating to NVH (noise, vibration, harshness). The business unit also boasts high vertical integration (development, production of the feedstock, production of the end product). The customers include commercial vehicle manufacturers and FCA.

The accounting policies of the reportable segments are based on German GAAP and therefore differ from the Group accounting policies.

Notes to the consolidated financial statements (continued)

	Segment											
	Acoustics		Corporate / Consolidation		STS Group as reported		Acquisition Bellini		IFRS/PPA Adjustments		STS Group IFRS	
in kEUR	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue - third parties	136,329	134,527	0	0	136,329	134,527	0	0	-170	-0	136,159	134,527
Revenue - inter-segment	0	0	0	0	0	0	0	0	0	0	0	0
Revenue segment	**136,329**	**134,527**	**0**	**0**	**136,329**	**134,527**	**0**	**0**	**-170**	**-0**	**136,159**	**134,527**
EBITDA	7,124	7,008	-62	3	7,062	7,012	-327	0	4,644	-451	11,379	6,561
Depreciation and amortization	-2,942	-3,323	0	0	-2,942	-3,323	0	0	405	405	-2,536	-2,918
EBIT	4,183	3,685	-62	3	4,121	3,688	-327	0	5,049	-45	8,843	3,643
Investment in non-current assets	6,197	1,228	0	0	6,197	1,228	2,293	0	10,965	-82	19,455	1,147

Had the Group applied the Group accounting policies for its segments already in 2016, the segment reporting would be as follows:

	Segment							
	Acoustics		Corporate / Consolidation		Acquisition Bellini		STS Group	
kEUR	2016	2015	2016	2015	2016	2015	2016	2015
Revenue - third parties	136,159	134,527	0	0	0	0	136,159	134,527
Revenue - inter-segment	0	0	0	0	0	0	0	0
Revenue segment	**136,159**	**134,527**	**0**	**0**	**0**	**0**	**136,159**	**134,527**
EBITDA	6,501	6,805	5,240	-244	-361	0	11,379	6,561
Depreciation and amortization	-2,536	-2,918	0	0	0	0	-2,536	-2,918
EBIT	3,965	3,888	5,240	-244	-361	0	8,843	3,643
Investment in non-current assets	6,197	1,147	0	0	13,258	0	19,455	1,147

Notes to the consolidated financial statements (continued)

Corporate / Consolidation entails kEUR 5,250 bargain purchase gain from the acquisition Bellini in 2016.

Segment investments in non-current assets include investments in intangible assets and property, plant and equipment.

The revenue distribution per customer country is as follows:

kEUR	2016	2015
Europe	135,998	134,458
Germany	13,740	13,132
France	822	883
Italy	87,980	76,797
Other	33,456	43,646
Rest of World	161	69

The Group's non-current assets based on the legal seat of the Group's entities are as follows:

kEUR	31 December 2016	31 December 2015
Europe	34,708	17,769
Italy	21,110	17,769
France	13,329	0
Other	269	0

Non-current assets consist of property, plant and equipment, intangible assets and other non-financial assets.

The revenue from two customers amounted to more than 10% of total third party revenue in 2016 and from one in 2015. Their revenue was made with the segment Acoustics. The absolute revenue with them is:

kEUR	2016	2015
Revenue of 1st customer >10%	54,752	50,614
Revenue of 2nd customer >10%	13,677	12,937

Reconciliation of the segment result to income before income tax expense:

in kEUR	2016	2015
EBITDA STS Group as reported	**7,062**	**7,012**
Acquisition Bellini EBITDA	-327	0
IFRS/PPA adjustments	4,644	-451
EBITDA IFRS	**11,379**	**6,561**
Depreciation and amortization	-2,536	-2,918
Finance result - net	-867	-1,257
Income before income tax expense	**7,976**	**2,386**

Notes to the consolidated financial statements (continued)

Of the IFRS/PPA adjustment, kEUR 5,250 (2015: kEUR nil) can be attributed to the bargain purchase gain of the business combination described in Note 4 and kEUR -606 (kEUR: -451) to adjustments between German GAAP and IFRS which mainly relates to IAS 19 pension accounting effects.

Notes to the consolidated financial statements (continued)

9 Additional disclosures regarding financial instruments

Financial assets and liabilities can be broken down into the IAS 39 measurement categories as follows for the reporting periods 2016 and 2015:

kEUR	Categories acc. to IAS 39	Carrying amount	Measurement balance sheet according to IAS 39			Balance sheet measurement according to IAS 17	Fair value	
Financial assets assigned to categories		31 December 2016	Amortized costs	Fair value - through OCI	Fair value - through profit or loss		31 December 2016	Hierarchy
Trade receivables	LaR	33,052	33,052					
Other receivables	LaR	1,302	1,302					
Cash-in-hand and cash equivalents	LaR	2,608	2,608					
Other financial assets								
Securities	AfS	38		38				
Deposits	LaR	105	105				105	Level 3
Other	LaR	1,865	1,865					
Financial liabilities assigned to categories								
Trade payables	FLAC	28,700	28,700					
Other financial liabilities								
Liabilities to banks	FLAC	12,232	12,232				12,028	Level 3
Loans from third parties (other than banks)	FLAC	5,503	5,503				5,936	Level 3
Liabilities from factoring	FLAC	722	722					
Other	FLAC	1,934	1,934					
Free standing derivatives	FLHfT	14			14		14	Level 2

Notes to the consolidated financial statements (continued)

kEUR	Categories acc. to IAS 39	Carrying amount	Measurement balance sheet according to IAS 39			Balance sheet measurement according to IAS 17	Fair value	
Financial assets assigned to categories		31 December 2015	Amortized costs	Fair value - through OCI	Fair value - through profit & loss		31 December 2015	Hierarchy
Trade receivables	LaR	31,234	31,234					
Other receivables	LaR	2	2					
Cash-in-hand and cash equivalents	LaR	1,252	1,252					
Other financial assests								
Securities	AfS	38		38				
Deposits	LaR	227	227				227	Level 3
Other	LaR	609	609					
Financial liabilities assigend to categories								
Trade payables	FLAC	24,254	24,254					
Other financial liabilities								
Liabilities to banks	FLAC	1,882	1,882				1,889	Level 3
Loans from third parties (other than banks)	FLAC	6,184	6,184				5,999	Level 3
Liabilities from factoring	FLAC	3,512	3,512					
Other	FLAC	3,172	3,172					
Free standing derivatives	FLHfT	0						

The total of the carrying amounts of the financial instruments categories specified by IAS 39 are as follows:

kEUR	Carrying amount	
Summary per category	**31 December 2016**	**31 December 2015**
Available for sale financial assets (AfS)	38	38
Loans and receivables (LaR)	38,931	33,324
Financial liabilities held for trading (FLHfT)	14	0
Financial liabilities at amorticed costs (FLAC)	49,091	39,003

Notes to the consolidated financial statements (continued)

The three levels to determine the fair value of financial instruments are described in note 2 – Basis of preparation. The fair value of financial instruments is calculated based on the current parameters like interest rates and exchange rates at the balance sheet date and through the use of accepted models like the discounted cash flow method and consideration of credit risk. The market values for interest rate swaps are determined based on bank valuation models.

As they are due in the short-term, the carrying amount represents a reasonable approximation of the fair value in the case of current financial assets and liabilities. For those financial assets and liabilities no values are inserted in the fair value column of the table.

An active market does not exist for financial instruments that belong to the category Available-for-Sale. Their fair value cannot be determined reliably. A disposal of these financial assets is currently not planned.

There were no significant default risks at the end of the reporting period.

The other financial assets represent receivables against factorers.

The other financial liabilities materially consist of liabilities for outstanding invoices.

The net gains or losses of the individual IAS 39 categories are as follows:

kEUR

Net financial gains and losses	**2016**	**2015**
from loans and receivables (LaR)	-245	-361
from available for sale financial assets (AfS)	0	0
from financial liabilities at amortized costs (FLAC)	-639	-888
from financial liabilities held for trading (FLHfT)	-14	0
Total	**-898**	**-1,249**
thereof recognized in financial result	-653	-888

The net financial gains and losses on financial instruments arise from changes in fair value for free standing derivatives (FLHfT), the recognition and reversal of impairment losses for loans and receivables (LaR) and interest for financial liabilities at amortized costs (FLAC). Free-standing derivatives comprise derivatives which are not designated as hedging instruments. No interest income has been accrued which relates to impaired financial instruments, especially receivables.

10 Share-based payments

The Group has no employee share option program. However, the shareholder mutares AG launched the mutares AG share option plan 2016 for employees by resolution of the Shareholder's Meeting on 3 June 2016, which also covers managers of its affiliated companies. The mutares AG option plan dates from 13 October 2016. Instead of a delivery and creation of new shares, the share options can be settled either with a corresponding number of treasury shares or in cash (difference between the exercise price and the reference price). As of the end of the reporting period, there is no agreement according to which the Group has to pay compensation to mutares AG.

The share options have a term of six years. The options can be exercised after a vesting period of four years. They can be exercised after the vesting period at fixed times during the next two years (exercise period).

With the approval of the supervisory board, the management board of mutares AG determines which employees are granted share options and how many share options they are to be granted.

There was only one option tranche of share-based payment agreements for members of the Group AG's management board during the current reporting period and previous reporting periods.

On 16 September 2016 (grant date), a total of 60,000 options with an exercise price of EUR 8.83 and a fair value as of the grant date of EUR 3.02 were granted to three members of the Group's management board.

Fair value of share options granted in the reporting period

The weighted average fair value of the share options granted in the reporting period was EUR 3.02. The options were measured using a binomial option pricing model. The calculation of the expected option term included, if relevant, the management's best estimate of the following influencing factors: Non-transferability, restrictions on exercise (including the probability that the market conditions coupled to the option will be met) and assumptions regarding exercise behavior. The expected volatility is based on the development of share price volatility in the last six years. With regard to the exercise date, it was assumed that the program participants will on average exercise the options at the end of the exercise period of two years, which equates to six years after the grant date.

Valuation parameters	**Option tranche 16 September 2016**
Grant share date price in	EUR 12.6
Excercise price	EUR 8.83
Expected volatility	30.0%
Option life	6 years
Dividend yield	4.5%
Risk free interest rate	-0.4%

During the reporting period, there was no change in share options regarding the number of options or the weighted average exercise price.

The share options granted are not entitled to dividends and grant no voting rights. The share-based payments are treated in accordance with the standard IFRS 2 as equity-settled share-based payments. The personnel expense recorded in financial year 2016 amounts to kEUR 4.

11 Critical estimates and judgements

In the process of applying the accounting policies, Group management made judgments that significantly influence the amounts recognized in the consolidated financial statements. Accordingly, the preparation of the consolidated financial statements requires to a certain degree assumptions and estimates that affect the amount and disclosure of the assets and liabilities, income and expenses, and contingent liabilities recognized for the period under review. They relate primarily to the assessment of the recoverability of assets, the Group's uniform definition of economic useful lives for property, plant and equipment and the recognition and measurements provisions.

The assumptions and estimates are premised on the knowledge currently available. In particular, the expected future business performance was based on the circumstances at the time the consolidated financial statements were prepared and the future development of the environment deemed to be realistic. If these framework conditions develop differently than assumed and outside of the management's sphere of influence, the ensuing amounts can differ from the original estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, due to which there is a significant risk that an adjustment to the carrying amounts of assets and liabilities will be necessary in upcoming reporting periods, are described below.

Estimates in purchase price allocation

Business combinations generally involve estimates relating to the calculation of the fair value of the acquired assets and liabilities. Land, buildings, technical equipment and machinery are usually valued by an independent expert, while marketable securities are carried at their market value. Appraisals of the market values of property, plant and equipment are subject to an element of uncertainty due to the use of necessary assumptions. If there are intangible assets, the fair value is determined using suitable measurement methods, which are generally based on a forecast of all future cash flows. Depending on the type of asset and the availability of information, various measurement techniques are used that can be categorized as based on cost, market price or capital value. The method based on capital value is important because of its particular significance in the measurement of intangible assets. For example, brands and licenses are measured using the relief-from-royalty method, which among other things estimates the cost savings that result from the Company holding the brands and licenses itself and not having to pay fees to the licensor. After discounting, the resulting saving gives the carrying amount for the intangible asset. Calculating the values of intangible assets particularly requires estimates of their economic useful lives, which are subject to an element of uncertainty due to the use of assumptions. The calculation of fair values of contingent liabilities likewise requires assumptions about their probable occurrence. These assumptions are by nature also subject to an element of uncertainty.

Definition of the useful lives of property, plant and equipment and of software and licenses

The Company bases its estimates of the useful lives of assets on past experience. However, accelerated technological progress means that, for example, faster depreciation and amortization may be necessary.

Classification as operating or finance lease

Lease classification depends primarily on estimates of the economic useful life of the leased asset, its fair value at the date of classification and assumptions or estimates of the discount rate to be used.

Valuation allowances on receivables

The management bases its estimates regarding the size of valuation allowances on the principle of individual measurement. In part, estimates of the requirement for specific valuation allowances are subjective estimates regarding the customers' credit quality. They are therefore subject to an inherent assessment uncertainty.

Recognition of deferred tax assets on tax loss carryforwards and deductible temporary differences

Deferred tax assets are recognized for tax loss carryforwards and deductible temporary differences, provided that the realization of the related tax benefit by future taxable profits based on the management's profit forecasts for the group companies is considered probable.

Provisions

Provisions differ from other liabilities in terms of uncertainties regarding the timing or amount of expenditures required in the future. A provision must be recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation (see IAS 37.14).

There are considerable recognition and measurement uncertainties due to differing economic and legal assessments and the difficulties of determining the probability of occurrence.

The measurement of pension provisions requires actuarial assumptions. These assumptions depend on individual estimates by the management.

12 Financial risk management

The management of the Group monitors and manages the financial risks associated with the Group's businesses by means of internal risk reporting, in which the Group analyses risks according to their scale and scope. These risks include credit risk, liquidity risk and market risk (foreign currency risk and interest rate risk).

In some cases, the Group minimizes the effects of these risks with derivative financial instruments. The use of financial derivatives is governed by guidelines set by the Group management, which contain requirements for the management of currency, interest rate and default risks. In addition, basis rules are laid down for the use of derivative and non-derivative financial transactions and for the investment of excess liquidity. Compliance with the guidelines and risk limits is monitored continuously. The Group does not contract or trade financial instruments, including derivative financial instruments, for speculative purposes.

12.1 Credit risk

There are credit risks with regard in particular to trade receivables and other receivables including deposits. They are limited by limiting and constantly monitoring the individual receivables. There are no specific credit risks with regard to customers. Risks from deterioration in customers' solvency and credit rating are already actively countered as part of acquisition management at the time of customer acquisition. There have been no major defaults in the past. Details of concentration of revenues are included in note 8.

Free liquidity is usually deposited in current accounts and term deposits at commercial banks. The maximum default risk of the recognized assets equals their carrying amount.

12.2 Liquidity risk

Prudent liquidity management includes holding a sufficient reserve of cash and cash equivalents and tradable securities as well as the option for financing via an adequate amount of committed credit lines. Due to the dynamics of the business environment in which the Group operates, the Group Finance department aims to maintain the necessary financing flexibility with sufficient unutilized credit lines as well as factoring.

Notes to the consolidated financial statements (continued)

The management of the Group monitors the liquidity of the operating companies and the Group as a whole with rolling cash flow projections.

The contractually agreed (undiscounted) cash flows for financial liabilities is are set out below:

31 December 2016

kEUR	Up to 1 year	1-5 years	More than 5 years	Total
Non-derivatives				
Trade payables	28,183	517	0	28,700
Other financial liabilities	3,814	11,469	6,017	21,300
- Bank liabilities	2,371	8,705	2,233	13,309
- Factoring liabilities	723	0	0	723
- Other liabilities	720	2,764	3,784	7,268
Derivatives				
Interest rate swaps	33	91	49	173
Total	**32,030**	**12,077**	**6,066**	**50,172**

31 December 2015

kEUR	Up to 1 year	1-5 years	More than 5 years	Total
Non-derivatives				
Trade payables	23,862	392	0	24,254
Other financial liabilities	4,768	4,292	4,458	13,518
- Bank liabilities	547	1,482	0	2,029
- Factoring liabilities	3,519	0	0	3,519
- Other liabilities	702	2,810	4,458	7,970
Total	**28,630**	**4,684**	**4,458**	**37,772**

01 January 2015

kEUR	Up to 1 year	1-5 years	More than 5 years	Total
Non-derivatives				
Trade payables	27,571	612	0	28,183
Other financial liabilities	9,203	2,827	5,143	17,173
- Factoring liabilities	8,468	0	0	8,468
- Other liabilities	735	2,827	5,143	8,705
Total	**36,774**	**3,439**	**5,143**	**45,356**

Notes to the consolidated financial statements (continued)

12.3 Market risk

12.3.1 Foreign currency risks

The operating business is subject to minor currency risks due to purchases in sales arranged in currencies other than the euro. A sensitivity analysis resulted in an exposure of less than kEUR 1 had the foreign currency Zloty (PLN) changed by +10%/-10%.

12.3.2 Interest rate risk

On the financing side, there are minor interest rate risks as the non-current other loan liabilities have floating interest rates. Interest rate swaps with matching terms and conditions have been arranged to hedge against this. However, hedge accounting is not applied. Interest rate risk from factoring is minimal.

	2016		2015	
	Change in interest rate basis points		Change in interest rate basis points	
kEUR	-100	+100	-100	+100
Effects on income before income tax expense	-201	167	19	-19

13 Capital risk management

The Group's objectives with regard to capital management are firstly to secure the business as a going concern in order to continue providing shareholders with returns and the other stakeholders with the deliverables owed, and secondly to maintain an optimum capital structure in order to reduce the cost of capital. As required, the Group maintains or changes the capital structure by adjusting the dividend payments to shareholders, making capital repayments to shareholders, or selling assets in order to repay liabilities.

	31 December 2016		31 December 2015	
kEUR		% of total equity and liabilities		% of total equity and liabilities
Equity	16,273	24.9%	7,276	15.7%
Current financial liabilities	33,206	50.8%	31,365	67.8%
Non-current financial liabilities	15,899	24.3%	7,638	16.5%
Financial liabilities	49,105	75.1%	39,003	84.3%
Total equity and financial liabilities	**65,378**	**100.0%**	**46,279**	**100.0%**

14 Contingent liabilities

A contingent liability could emerge in the event of the disposal, transfer or other disposal of a group company prior to July 2034. This event would trigger a liability of EUR 1.7 million against the previous shareholder, for which the Company and mutares AG would jointly and severally be liable.

Notes to the consolidated financial statements (continued)

15 Financial commitments

The Group has concluded leases for various properties, vehicles and operating and office equipment. As of the reporting date these leases have a term of no longer than five years and do not, as a rule, contain options for extension.

kEUR	31 December 2016	31 December 2015
Non-cancellable operating leases Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Up to 1 year	839	468
1-5 years	4,996	2,502
Total	**5,835**	**2,970**

Expenses from operating leases of kEUR 973 (2015: kEUR 1,818) were recognized in the year under review.

Operate leasing contracts existing particularly for buildings, office space, technical equipment and machinery, office equipment as well as vehicles and hardware.

16 Related party transactions

According to IAS 24, the Group's related parties are

- the parent company mutares AG, Munich, and its subsidiaries and material investments outside the Group;
- other parties that can be influenced by or can influence the reporting entity, such as
    - the members of the Company's management board and supervisory board;
    - the members of mutares AG's management board and supervisory board;
    - interests held by members of the management board or supervisory board of the Company or mutares AG in companies outside of the Group and the mutares Group.

Balances and transactions between the Company and its subsidiaries that are related parties were eliminated in the process of consolidation and are not described in these notes. Details on transactions between the Group and other related parties are given below.

16.1 Business relations with mutares AG and other subsidiaries and investments not belonging to the Group

Over the course of the reporting periods, Group companies conducted the following transactions with related parties not covered by the scope of consolidation. The following balances were outstanding from these transactions at the end of the reporting period:

Notes to the consolidated financial statements (continued)

kEUR	31 December 2016	31 December 2015	01 January 2015
Goods and services received from			
mutares AG	135	364	
subsidiaries and other investments of mutares AG not belonging to the STS Group	0	0	
of which: Expenses for management services received from			
mutares AG	132	361	
Outstanding balances from			
mutares AG	0	0	96
Commitments to			
mutares AG	57	86	479
Collateral received from			
mutares AG	5,750	5,750	1,750
mutares AG - jointly and severally	1,700	1,700	1,700

The goods and services purchased from related parties primarily include the Group's other operating expenses vis-à-vis mutares AG. kEUR 132 (2015: kEUR 361) of this resulted from management services received from mutares AG, primarily for provision of staff at a daily rate and travel costs. In addition, a small portion of the goods and services received relate to interest expenses paid to mutares AG.

No goods or services were provided to subsidiaries and other investments of mutares AG not belonging to the Group in the period under review.

In the year under review, the Group's obligations relate to a short-term loan (2016: kEUR 57; 2015: kEUR 66) to the Company from mutares AG. In 2015, the Group's obligations also related to current trade obligations (kEUR 20). The receivables are not secured. No guarantees were given. No write-downs were performed for uncollectible or doubtful receivables from related parties in the current or the previous reporting period.

The Group has received limited-term collateral of up to kEUR 5,750 from mutares AG. It serves to secure contractual obligations to two business partners outside of the STS and mutares Groups. In addition, the Group has received limited-term joint and several collateral of kEUR 1,700 from mutares AG to safeguard against any third-party claims. All the above collateral was unchanged at the end of the current reporting period compared to the end of the previous reporting period.

Furthermore, mutares AG has provided two limited-term letters of comfort to a company of the Group, one of which expired on 31 December 2015.

16.2 Business relations with and payments to members of the Management Board and the Supervisory Board

Except for share-based payments in the reporting period of kEUR 4 (2015: kEUR Nil), there were no further business relations with members of Group AG's management board or Supervisory Board nor further payments to these people by the Company. Moreover, there were no receivables from or liabilities to the key management personnel of the Group, consisting of the members of the company's management board or supervisory board, in this reporting period or 2015.

No further benefits were granted to the members of Group AG's management board or supervisory board for their board activity. The sole management board member performed his work as an employee of mutares AG and was compensated for this exclusively by mutares AG. The costs incurred at mutares AG were not passed onto companies of the Group in the period under review or in the comparative period.

In the periods described, the Group neither granted nor received loans to or from employees in key positions.

17 Additional information according to HGB

The average number of employees is shown in the table below:

	2016	**2015**
Industrial employees	546	566
Salaried employees	436	136
Total	**982**	**702**

Auditor's fees break down as follows:

kEUR	**2016**	**2015**
Audits of financial statements	82	75
Other services	15	0
Total	**97**	**75**

18 Events after the end of the reporting period

Acquisition of Minas Têxteis Ltda.

As of 30 September 2017 the Group acquired 100.0% of shares in Minas Têxteis - Fabricação de Peças e Partes Automotivas Ltda., Betim / Minas Gerais, Brazil which produces soft trim products for eight platforms of one OEM. The major product groups comprise Trunk Side Trim, Inner Dashes and Floor Insulators. The acquisition was completed via a holding company in Germany (STS Brazil Holding GmbH).

At acquisition date the fair value of consideration paid amounted to kEUR 2.684. The acquisition was structured as a share deal with five annual payments of kEUR 537 in addition to interest of 5% p.a.. As agreed with the seller the consideration paid is made up of five payments to occur on a yearly basis on the anniversary of the closing on 30 September from 2018 to 2022. On an undiscounted basis the amounts due are: kEUR 537 (2018), kEUR 537

Notes to the consolidated financial statements (continued)

(2019), kEUR 592 (2020), kEUR 622 (2021) and kEUR 653 (2022) respectively. Acquisition costs amounting to kEUR 400 related to the transaction are expensed in other operating expenses.

The following table summarizes the result of the purchase price allocation and the calculation of the gain from a bargain purchase, which was recognized in other operating income.

kEUR	**Fair Value**
Land and buildings	3,485
Property, plant and equipment	3,932
Other non-current assets	172
Non-current assets	**7,589**
Inventory	250
Trade and other receivables	793
Other current assets	924
Current assets	**1,967**
Deferred tax liabilities	-1,003
Non-current liabilities	**-1,003**
Current liabilities	**-877**
Net assets	**7,676**
Bargain purchase gain	**4,992**
Total purchase consideration	**2,684**

As a result of the acquisition no significant onerous contracts or liabilities were acquired.

The gain from a bargain purchase does mainly derive to the circumstances of the sell-side that sold the business in the wake of the economic crisis in Brazil in an effort to concentrate on core business in order to refocus and reposition itself strategically.

Even though it generated negative results in the past two years STS considers the business as attractive as it represents an ideal supplement to further expansion of its plastics business and an entry into the South American automotive market. Its recovery already lead to increased sales in 2017 forecasts. STS will invest in the future set up, organization and extension of the business acquired.

The consolidated financial statements 2017 include kEUR 1,786 in revenues and income after taxes in the amount of kEUR -123 resulting from the acquired entity.

Notes to the consolidated financial statements (continued)

If Minas Têxteis - Fabricação de Peças e Partes Automotivas Ltda. had been acquired on 1 January 2017 the business would have contributed for the twelve months of 2017 to revenue kEUR 7,237 and to income after income tax expense kEUR 203.

Dolmen acquisition

As of 30 June 2017 the Group acquired all shares in STS Composites France S.A.S., Lyon / France (prior to its change in name: Inoplast Truck S.A.S.), MCR S.A.S., Lyon / France, STS Composites Germany GmbH, Munich / Germany (prior to its change in name: Inoplast Trucks GmbH), Inoplast Trucks S.A. de C.V., Ramos Arizpe / Mexico, and STS Plastics Co., Ltd., Jiangyin / China (all five legal entities together the "Dolmen Acquisition"). The consideration was paid in cash. The transaction closed on 30 June 2017 (the "Acquisition").

At acquisition date the fair value of the consideration paid (preliminary) amounted to kEUR 10,630. Acquisition costs related to the transaction amounting to kEUR 814 are expensed in other operating expenses.

Subject to an ongoing dispute with seller on the interpretation of certain elements of the agreement and the final purchase price, the initial purchase price allocation and accounting for this acquisition is deemed incomplete.

The following table summarizes the result of the purchase price allocation and the calculation of the gain from a bargain purchase, which was recognized in other operating income.

Notes to the consolidated financial statements (continued)

kEUR	Fair Value
Intangible assets	19,420
Property, plant and equipment	40,189
Other non-current assets	3,701
Deferred tax assets	
Non-current assets	**63,310**
Inventories	12,047
Trade and other receivables	48,871
Other current assets	7,703
Current assets	**68,621**
Other non-current liabilities	-13,911
Deferred tax liablities	-2,878
Non-current liabililties	**-16,789**
Current liabililties	**-62,547**
Net assets	**52,595**
Bargain purchase gain	**41,965**
Total purchase consideration	**10,630**

As intangible assets acquired have been identified customer relationships and technology. The customer relationships represent relationships to the external customer bases of Mixt Composites Recycables, France, and Inoplast Truck S.A., Mexico. Their fair values amount to kEUR 7,059. The fair value of technologies amounts to kEUR 3,460 and relate to the knowhow on composite compounding.

The gain from a bargain purchase does mainly result from the efforts of the sell-side to reposition and refocus itself strategically by disposing of its commercial vehicle business. With this strategic move the sell-side intends to refocus in terms of technology and products. The sell-side's truck part business was identified as non-core within Plastic Omnium, also due to relatively low margins as compared to the remaining business units of Plastic Omnium. The Group sees its opportunities in the Group's specific operational excellence competence that will be applied to the Dolmen entities in order to leverage opportunities to increase margins.

The consolidated financial statements 2017 include kEUR 102,387 in revenues and income after taxes in the amount of kEUR 4,944 resulting from the acquired entity.

Notes to the consolidated financial statements (continued)

If the Dolmen entities had been acquired on 1 January 2017 the business would have contributed for the twelve months of 2017 to revenue kEUR 212,168 and to income after income tax expense kEUR 10,021.

Other than the above reported items, as of the issue date of these consolidated financial statements there were no material subsequent events that would require recognition or adjustment of the consolidated financial statements.

19 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

19.1 Note on the first-time preparation of consolidated financial statements according to IFRS

The Company prepared consolidated financial statements for the first time for the reporting period 2016. They were prepared in line with IFRS as applicable in the EU.

The significant accounting policies described under VI.B were applied uniformly to the consolidated financial statements as of 31 December 2016 (end of the reporting period), the comparative information as of 31 December 2015 and the opening IFRS statement of financial position as of 1 January 2015 (date of transition). IFRS 1 "First-time Adoption of International Financial Reporting Standards" requires full, retrospective application of all standards that were mandatory as of 31 December 2016. Accordingly, the adjustments to recognition and measurement methods required for the first-time adoption of IFRS must be made retrospectively as if the Company had always reported according to IFRS.

However, IFRS 1 grants some exemptions from the general principle of retrospective application of IFRS. The Company exercised the following options at the date of transition:

The Company exercised the option provided by IFRS 1 to not apply IFRS 3 retrospectively to business combinations that occurred prior to 1 January 2015.

As STS Group AG has not published consolidated financial statements so far, the inital consolidation procedures as of January 1, 2015 (date of transition) has been prepared in accordance with the modified initial consolidation approach (IFRS 1C4 (j)). The assets and liabilities of the subsidaries are recognized and measured as if they always applied IFRS. The negative difference between the parent's interests in those carrying amounts and the cost of the investment in the subsidiary has been recognized in the retained earnings.

Notes to the consolidated financial statements (continued)

The Company exercises the option provided by IFRS 1 to set cumulative translation differences at the date of transition to zero.

As the Company has not published consolidated financial statements in accordance with German GAAP so far the reconciliations required in IFRS 1.24 are not applicable.

19.2 Effects of new accounting standards

The following new or amended standards and interpretations have already been published by the IASB, but have not yet taken effect or have not yet been adopted into European law. The Company has not applied the standards early.

New standards		Effective for annual periods beginning on or after:	EU endorsement status (as at 31 December 2017)
IFRS 9	Financial instruments	1. January 2018	Endorsed
IFRS 15	Revenue from contracts with customers	1. January 2018	Endorsed
IFRS 16	Leases	1. January 2019	Endorsed
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Effective date postponed indefinitely	Not yet adopted
Amendments to IAS 12	Recognition of deferred tax assets for unrealized losses	1. January 2017	Not yet adopted
Amendments to IAS 7	Disclosure initiative	1. January 2017	Not yet adopted
Amendments to IFRS 2	Classification and measurement of share-based payment transactions	1. January 2018	Not yet adopted
Annual improvements to IFRS	2014 – 2016 cycle	1. January 2017 or 2018	Not yet adopted
Amendments to IAS 40	Transfers of investment property	1. January 2018	Not yet adopted
IFRIC 22	Foreign currency transactions and advance considerations	1. January 2018	Not yet adopted
IFRIC 23	Uncertainty over income tax treatments	1. January 2019	Not yet adopted

IFRS 9 "Financial Instruments"

IFRS 9 Financial Instruments includes requirements for recognition, measurement and derecognition of financial assets and liabilities. The IASB issued the final version of the standard on 24 July 2014 in connection with the completion of the various phases of its extensive project on financial instruments. The previous recognition of financial instruments under IAS 39 Financial Instruments: Recognition and Measurement can now be fully superseded by recognition under IFRS 9. The current version of IFRS 9 supersedes all previous versions. The new standard is effective for annual period beginning on or after 1

January 2018. Early application is permitted. The Group will apply the standard for the first time for the financial year beginning on 1 January 2018 using the modified retrospective method.

In a group-wide project, the Group currently analyses the expected effects on the consolidated financial statements. The analysis is based on the Group's financial assets and financial liabilities as of 31 December 2017 and of the facts and circumstances existing at this date.

Classification and measurement

Based on the current project status, the Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. As there are currently no material available-for-sale assets with gains and losses recorded in OCI, there will be no material effect from the new classification and measurement requirements.

Loans as well as trade receivables are allocated to a business model when they arise. Usually these instruments are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9. The instruments that might qualify for a derecognition under factoring are either classified as "Hold to collect and sell" or "Sell". Based on this classification they might be measured at fair value. We do not expect any material impact in the case of trade receivables.

The Group will not apply the fair value option to eliminate an accounting mismatch.

Impairment

IFRS 9 requires the STS Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. STS Group will apply the simplified approach and record lifetime expected losses on all trade receivables. Currently the Group expects an effect between kEUR 350 and kEUR 400 after tax from the transition which reduce retained earnings at initial application

Hedge accounting

As of the reporting date the Group has no hedging instruments and therefore there will be no effect from the transition to IFRS 9.

IFRS 15 "Revenue from Contracts with Customers"

In May 2014, the IASB published IFRS 15, "Revenue from Contracts with Customers".

The objective of IFRS 15 is to aggregate the revenue recognition rules included in various standards and interpretations and define basic principles applicable to all industries and all types of sales transactions with a five-step revenue recognition model.

IFRS 15 determines the timing and the amount of revenue recognition. Revenue recognized should reflect the transfer of the promised goods or services to the customer at the amount corresponding to the consideration that the enterprise expects to receive in exchange for those goods or services.

In addition, the new standard requires the disclosure of a number of quantitative and qualitative information.

IFRS 15 replaces IAS 11, "construction contracts", and IAS 18, "revenue", and the related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018; early adoption is permitted. The Group will apply the standard for the first time for the financial year beginning on 1 January 2018 using the modified retrospective method.

In a group-wide project, the Group analyzed the expected effects on the consolidated financial statements. Based on the findings of the analysis, the Group was able to identify matters that could have an impact on its net assets, financial position and results of operations if IFRS 15 were applied. As a supplier to the automotive and truck industry, the Group is subject to long-term supply contracts which include tooling and serial parts.

The application of IFRS 15 is expected to have the following essential effects based on the current assessment:

- The separation of performance obligations (mainly tooling and serial parts) which is required under IFRS 15 if certain prerequisites are met will result in an allocation of the transaction price affecting the timing of revenue recognition (earlier revenue recognition by allocating a certain portion of the transaction price to tooling).
- For products with no alternative use due to their specifications, IFRS 15 requires revenue recognition over time, provided that the STS Group – at all times throughout the duration of the contract - is entitled to an amount that at least compensates it for performance completed to date if the contract is terminated by the customer or another party (other than STS's failure to perform as promised).
- In the case of variable remuneration components such as volume discounts an impact on the amount of sales is expected.
- Changes will also result from the separate disclosure of contract assets and contract liabilities in the balance sheet. An increase in total assets is expected by contract assets arising out of the allocation of transfer price to tooling and the shift in revenue recognition.

Regarding the subsequent accounting of contract assets please refer to below to IFRS 16 “Leases”.

IFRS 16 “Leases”

In January 2016, the IASB adopted IFRS 16 "Leases", the new standard for lease accounting. IFRS 16 will replace IAS 17 and the associated interpretations.

In accordance with IFRS 16, all leases are accounted for by the lessee in such a way that the right of use associated with the lease is recognized as an asset (so called "right of use asset") on the asset side and the corresponding discounted lease liability on the liability side.

Relief is available for leased assets of low value and for leases with short terms. The lease payments for these leases can be recognized as an expense on a straight-line basis (or another systematic basis for distribution) over the term of the lease.

Under the previous IAS 17, a distinction was made between on-balance-sheet finance leases and off-balance-sheet operating leases. This distinction between two different types of leases will no longer apply for the lessee when IFRS 16 comes into force. If a contract is classified as a lease, it falls within the scope of this standard and must therefore be accounted for. Otherwise, it is a service contract that affects expenses.

In the case of the lessor, however, the provisions of the new standard are similar to the previous provisions of IAS 17. The criteria of IAS 17 were adopted for classification in accordance with IFRS 16. IFRS 16 also contains a number of additional regulations on the disclosure and disclosures in the notes as well as on sale and leaseback transactions.

The modified retrospective approach is applied for the transition to the new regulation. As a result, the new standard will only be applied to the most recent reporting period presented in the financial statements for 2019. The effects of the application of IFRS 16 on the consolidated financial statements are currently being examined. In principle, an extension of the balance sheet is assumed due to the scope of operating lease agreements.

Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments address a conflict between the requirements of IAS 28 Investments in Associates and Joint Ventures and IFRS 10 Consolidated Financial Statements. They clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business according to IFRS 3. The IASB has now deferred the effective date of the amendments indefinitely.

The Group holds no investments in associates or joint ventures. The amendments have no effect on the consolidated financial statements.

Amendments to IAS 12 "Recognition of deferred tax assets for unrealized losses"

The changes include the following clarifications:

Unrealized losses on assets carried at fair value (for example, fixed debt instruments), whose taxable value corresponds to the cost of acquisition, lead to deductible temporary differences. This applies regardless of whether the company plans to sell the instrument, hold it to maturity, or a combination of both.

In case that the applicable tax law restricts the offsetting of tax losses (e.g. if losses from the sale of securities may only be offset against corresponding capital gains), the assessment whether deferred tax assets for deductible temporary differences has to be accounted need to be taken into consideration separately for the deductible temporary differences each of the same kind.

In estimating future taxable profits, it may be assumed on certain assumptions that an asset can be realized above its book value. On the other hand, tax deductions from the reversal of deductible temporary differences are to be excluded.

The management does not expect the amendments to IAS 12 to have a material impact on the consolidated financial statements.

Amendments to IAS 7 - Statement of Cash Flows

The amendments pursue the objective that entities provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment will require further notes disclosure in the Group financial statements.

Amendments to IFRS 2 - Classification and Measurement of Share-Based Payment Transactions

The amendments involve a number of individual issues pertaining to the accounting of cash-settled share-based payment transactions. IFRS 2 now contains requirements on determining the fair value of obligations resulting from share-based payment transactions. The Company does not expect material impacts due to the amendments of IFRS 2 on its consolidated financial statements.

Annual Improvements to IFRSs (2014-2016)

Three IFRSs were amended in the Annual Improvements to IFRSs (2014-2016). In IFRS 12, it was clarified that disclosures pursuant to IFRS 12 generally also apply to an entity's interests in subsidiaries, joint ventures and associated companies that are classified as held for sale in accordance with IFRS 5, with the exception of the disclosures outlined in

IFRS 12.B10-B16 (Financial Information). In IAS 28, it was clarified that the election to measure an investment in an associated company or a joint venture held by an entity that is a venture capital organization or other qualifying entity, can be exercised on an investment-by-investment basis. The short-term exemptions in IFRS 1, Appendix E (IFRS 1.E3-E7) for first-time IFRS users were deleted. The Company does not expect material impacts due to the above mentioned amendments on its consolidated financial statements.

Supplementary information on IFRIC 22 - Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses an application question for IAS 21 - The Effects of Changes in Foreign Exchange Rates. It clarifies the point in time for determining the exchange rate used to translate foreign-currency transactions containing advance payments that have been made or received. The date of the initial recognition of an asset or liability resulting from advance consideration is essential for determining the exchange rate for the underlying asset, income or expense. The Company does not expect impacts due to the above clarifications on its consolidated financial statements.

19.3 Significant accounting policies

The consolidated financial statements are based on uniform accounting policies. The annual financial statements of the entities included in the consolidated financial statements are prepared as of the same date as the consolidated financial statements.

The significant accounting policies are described below.

19.3.1 Principles of consolidation

Subsidiaries are companies that are controlled by the Company. The Group obtains control when it can exert power over the investee, is exposed to variable returns from the investment and has the ability to use its power over the investee to affect the amount of the returns.

The Company reviews the assessment of control if there are indications that one or more of the above control criteria have changed.

The results of a subsidiary acquired during the year are recognized in the consolidated income statement and consolidated other comprehensive income with effect from the actual acquisition date or up to the actual disposal date.

The **acquisition of a company** is accounted for according to the acquisition method. The consideration transferred in an acquisition corresponds to the fair value of the assets given up, the equity instruments issued and the liabilities incurred or assumed as of the transaction date. In addition, it includes the fair values of any recognized assets or liabilities resulting from a contingent consideration agreement. Acquisition-related costs are recognized as expenses when incurred. On initial consolidation, identifiable assets, liabilities and contingent liabilities from a business combination are measured at their fair values at the acquisition date.

The value resulting from the excess of the acquisition costs, the amount of non-controlling interests in the acquiree and the fair value of any previously held equity interests at the acquisition date over the Group's share in the net assets measured at fair value is reported as goodwill and tested for impairment at least once a year. If the acquisition costs are lower than the net assets of the acquired subsidiary measured at fair value, the difference is recognized directly in the consolidated income statement after another review.

Balances and transactions with consolidated subsidiaries and resulting income and expenses are eliminated in full for the purposes of preparing the consolidated financial statements.

Deferred taxes required by IAS 12 are recognized on temporary differences from consolidation.

Please see the remarks on the scope of consolidation under V.D "Scope of consolidation" for additional information.

19.3.2 Currency translation

The consolidated financial statements were prepared on the basis of the functional currency concept. Functional currency is the primary currency of the economic environment in which the Company operates. It is the euro, which is also the presentation currency of the consolidated financial statements.

Transactions in foreign currencies are translated using the exchange rate applicable at the time of the transaction into the functional currency. Foreign currency monetary assets and liabilities are translated into the respective functional currency at the rate to the end of the reporting period. Foreign currency gains and losses resulting from this transaction are recognized in the consolidated income statement under "Other operating income" or "Other operating expenses".

Statement of financial position items of subsidiaries whose functional currency is not the euro are translated at the reporting date in the presentation currency, while the items in the consolidated income statement are translated at the average price of the relevant period and equity items at historical exchange rates. The resulting translation differences are posted in the foreign currency translation reserve in other accumulated equity.

19.3.3 Goodwill

Goodwill results from a business combination and corresponds to the excess of the consideration transferred over the fair value of the net assets (acquired assets minus liabilities incurred or assumed). Goodwill is not subject to depreciation and amortization, but once a year and in the case of events or changes of the circumstances which indicate an impairment, is subject to an impairment test on the basis of so called cash-generating units. It is measured at cost, less any accumulated cumulated impairment losses. Impairment losses cannot be reversed.

19.3.4 Other intangible assets

Acquired intangible assets, including software and licenses and internally generated intangible assets are recognized at cost.

To determine the recognition of internally generated intangible assets research and development expenses are to be separated. Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized as an expense in the period it is incurred.

The recognition of internally generated intangible assets is based on the cumulative fulfillment of IAS 38 recognition criteria: The technical feasibility of the development project and a future economic benefit from the development project must be demonstrated and the company must have the intent and the ability to complete the intangible asset, to use it or sell it. Furthermore, adequate technical, financial and other resources must be available to complete and it must be possible to reliably determine the attributable expenditure for the intangible asset during its development.

The recognized costs cover the directly attributable costs for the development process and development-related overheads. According to IFRS, borrowing costs that are directly attributable to the acquisition, construction or production of a so called qualifying asset should be recognized as part of the cost. In the reporting and comparative period, no qualified assets were acquired or generated for which it would have been necessary to recognize borrowing costs

If a useful life can be determined, then these intangible assets are amortized on a straight-line basis over the useful life. The following useful lives are used for depreciation:

	Useful life in years
Purchased concessions, industrial property rights and similar rights	5 to 13

Currently the Group has no intangible assets with indefinite useful lives.

19.3.5 Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation if the asset is depreciable, and impairments.

The cost of an item of property, plant and equipment covers all costs directly attributable to the acquisition of the asset. Repairs and maintenance are recognized in the consolidated income statement as an expense in the reporting period in which they are incurred. Initially internally generated assets are recognized with the directly attributable production costs and production-related overheads.

Depreciation is recognized on a straight-line basis over the estimated useful life in the consolidated income statement.

The following useful lives are mainly used:

	Useful life in years
Building	20 to 60
Technical equipment, machinery and vehicles	1 to 20
Operating and office equipment	1 to 13

Assets leased under finance leases are depreciated over the shorter of the lease term and its useful life. Land is not depreciated.

To the extent there are material elements of property, plant and equipment contain components with considerably deviating using lives, these are recognized separately and depreciated over the respective useful life.

According to IFRS, borrowing costs that are directly attributable to the acquisition, construction or production of a so called qualifying asset should be recognized as part of cost. In the reporting and comparative period, no qualified assets were acquired or generated for which it would have been necessary to recognize borrowing costs.

The residual values and economic useful lives are checked to the end of every reporting period and adjusted where appropriate. The economic useful lives are based on estimates and are based to a large extent on experience in relation to historical use and technical development.

Gain and loss arising from disposals of assets shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in profit or loss.

If there are indications of an impairment loss and if the carrying amount of property, plant and equipment exceeds the recoverable amount impairment losses are recognized. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. If the reason for impairment taken no longer applies, a reversal to historical cost is undertaken.

19.3.6 Impairment

For assets with a specific useful life, in accordance with IAS 36 a test is made at the end of the reporting period if there are indications of material impairment e.g. specific events or market developments which indicate a possible loss in value. In the reporting and previous period, there were no indications of impairment for depreciable intangible assets and property, plant and equipment.

Intangible assets with indefinite useful lives and internally generated assets under construction must be tested for impairment at the end of each reporting period. In the reporting period and in 2015, there were no intangible assets with indefinite useful lives.

In the case of indications for impairment or during the obligatory annual impairment test for intangible assets with indefinite useful life, the recoverable amount of the asset is determined. The recoverable amount of an asset is the higher of the fair value or the asset or cost-generating unit (CGU) less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In the latter case, the recoverable amount is to be determined on the basis of a CGU to which assets or a group of assets are allocated until an aggregation of assets that generates largely independent cash inflows is established. This is also the case for goodwill. Goodwill resulting from a business combination is allocated from the date of acquisition to the CGU or group of cash-generating units that is expected to benefit from the synergies of the combination and at which level the goodwill is monitored for internal management purposes.

To determine the value in use the expected cash flows are discounted to the present value on the basis of a pre-tax discount rate reflecting the current market assessments in respect to the interest effect and the specific risks of the asset. In determining the value in use, account is taken of the current and future expected income level as well as technological, economic and general development trends on the basis of approved financial budgets. To determine the fair value less costs to sell, account is taken of any recent market transactions.

Notes to the consolidated financial statements (continued)

If the carrying amount exceeds the recoverable amount of the asset or the CGU, an impairment loss is recognized in profit and loss at the level that the carrying amount exceeds the recoverable amount.

For goodwill if the impairment requirement is higher that the carrying amount of the goodwill of the CGU, then the goodwill is first fully amortized and the remaining impairment requirement distributed to the other assets of the CGU. In doing so for goodwill in the impairment test account is taken of the necessary impairment on individual assets of the CGU.

Reversals on the new recoverable amount are made, except for goodwill, when the reasons for the impairment in previous year no longer apply. The upper limits for reversals are the depreciated historical costs which would have resulted if no impairments have been recognized in previous years. In the reporting and comparative period, there were no reversals on intangible assets or property, plant and equipment.

19.3.7 Recognition of leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. The companies of the Company conclude contracts only as lessee.

Leases are classified as a finance lease if the leasing conditions transfer substantially all the risks and rewards incidental to lessor. Assets which are rented or leased and whose economic ownership is at the respective group company (“finance lease"), at the beginning of the contract the future leasing payments are recognized at the lower of fair value or present value. Correspondingly liabilities at the same level are recognized in the statement of financial position against the lessor under “finance liabilities” and current “other financial liabilities”. In measuring present value the interest rate underlying the agreement is used - and if not available - the marginal refinancing rate. The depreciation of these assets and the reversal of the liability take place across the contract period. If the useful life of the asset is shorter than the contract period, then this is relevant for determining the depreciation period. While the leasing asset is subject to straight-line depreciation over the term of the leasing agreement, the relevant leasing liability is amortized on a progressive basis using the effective interest rate method. As a result, during the period of the leasing contract there is a difference between the leasing obligation and the carrying amount of the leasing object.

Lease payments under an operating lease are recognized as an expense in the income statement on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the user’s benefit.

The Group does not appear as lessor.

Notes to the consolidated financial statements (continued)

19.3.8 Cash and cash equivalents

Cash and cash equivalents are cash, immediately disposable bank assets and short-term deposits at banks, all of which have a duration below three months. Utilized bank overdrafts are recognized under current finance liabilities.

19.3.9 Financial instruments

In accordance with IAS 32, a financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. According to IFRS, they can include non-derivative financial instruments, such as trade receivables and payables, as well as derivative financial instruments.

Upon initial recognition, financial assets and financial liabilities are designated at fair value, which generally corresponds to origination cost. Transaction costs which are directly attributable to the acquisition or issue of the financial instrument are only then recognized at carrying amount if the corresponding financial instrument is not measured at fair value with changes in fair value recognized in profit or loss. The subsequent measurement depends on the categorization of the financial instruments.

a) Financial assets

A financial asset is any asset that is in particular:

- Trade and other receivables,
- Other financial assets and
- Cash and cash equivalents

Financial assets with a remaining term of more than twelve months are presented separately as non-current financial assets.

The Company divides financial assets into one of the following categories, with the "held to maturity financial assets" category not used by the Group due to lack of relevance.

Assets at fair value through profit or loss

Assets at fair value through profit or loss are financial assets held for trading purposes. A financial asset is assigned to this category if it is acquired with the intention to sell in the short term. Derivatives also are included in this category if they do not qualify as hedges (cf. below). Any gain or loss resulting from the fair value measurement is recognized in profit or loss. The recognized net gain or loss includes any dividends and interest on the financial asset. As of 31 December 2016 and 31 December 2015 there were no assets at fair value through profit and loss.

Available-for-sale financial assets

Notes to the consolidated financial statements (continued)

Available for sale financial assets are non-derivative financial assets that are designated to this category or cannot be assigned to any of the other categories. This category includes equity investments and debt securities. After initial measurement, available for sale financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited to the available for sale reserve until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available for sale reserve to the statement of profit or loss in finance costs. Interest earned whilst holding available for sale financial assets is reported as interest income using the effective interest rate method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at amortized cost less impairment losses using the effective interest rate method. Group loans and receivables are recognized in the consolidated statement of financial position under “Trade and other receivables”, “Other financial assets” and “Cash and cash equivalents”.

b) Impairment of financial assets

Financial assets, with the exception of the financial assets measured at fair value through profit or loss, are tested for possible impairment indicators at each reporting date. Financial assets are considered impaired if, as a result of one or more events occurring after the initial recognition of the asset, there is an objective indication that the expected future cash flows of the financial assets have changed negatively.

In the case of equity investments classified as available for sale, a substantial or persistent reduction in the fair value of the assets below their acquisition costs is an objective indication for an impairment.

For all other financial assets, there may be objective indications for an impairment in the following:

- significant financial difficulties for the issuer or counterparty,
- a breach of contract such as a default or default of interest or redemption payments,
- an increased likelihood that the borrower will enter into insolvency or any other restructuring, or
- the disappearance of an active market for this financial asset caused by financial difficulties.

For some categories of financial assets, e.g. trade receivables for which there is no impairment on a one-off basis, an impairment test is carried out on a portfolio basis. An objective indication of an impairment of a portfolio of receivables may be the Group's past experience of past payments, an increase in the frequency of defaults within the portfolio, and observable changes in the national or local economic environment to which defaults of receivables are linked.

In the case of financial assets measured at amortized cost, the impairment loss corresponds to the difference between the carrying amount of the asset and the present value of the expected future cash flows at the original effective interest rate of the financial asset.

Impairment results in a direct reduction in the carrying value of all financial assets affected, except for trade receivables whose carrying value is reduced by an impairment account. If a value-adjusted trade receivable is assessed as uncollectible, consumption is made against the impairment account. Subsequent inputs to amounts already recognized as an allowance are also posted against the impairment account. Changes in the carrying value of the impairment account are recognized in profit or loss through the consolidated statement of profit or loss.

If the amount of the impairment loss of a financial asset valued at amortized cost in one of the following financial years decreases and if this reduction can be attributed objectively to an event occurring after the impairment was recognized, the previously recorded impairment is reversed through the consolidated statement of profit or loss. However, a write-up may not exceed the amount that would have resulted if the cost of the asset had been amortized without impairment.

c) Financial liabilities

The financial liabilities primarily include:

- Trade payables
- Other financial liabilities (especially liabilities to banks)

Trade payables

At initial recognition, trade payables are measured at nominal value which corresponds to the fair value. As there are only current trade payables, the effective interest method is not used in any subsequent measurement.

Other financial liabilities

At initial recognition other financial liabilities are measured at fair value less transaction costs incurred.

Financial liabilities from original financial instruments are measured at amortized cost using the effective interest rate method. Financial assets and financial liabilities from derivative financial instruments, for which there is no hedge accounting, are measured at fair value through profit or loss.

The liability is classified as current because, at the end of the reporting period date, the entity does not have an unconditional right to defer its settlement to at least twelve months after the balance sheet date.

Financial instruments are derecognized from the balance sheet, if the rights for payments are expired or transferred and the Group transfers materially all risks and rewards relating to ownership.

Netting of financial assets and liabilities is only done, if netting amount is legally enforceable at that point in time. Due to lack of fulfilling this requirement, the Group does not net financial assets and liabilities.

The fair-value option in accordance to IAS 39 is not used.

d) Derivative financial instruments

Within the Group derivative financial instruments are used to manage risks from interest rate changes. Derivative financial instruments are initially recognized as asset or liability at fair value within the category of financial assets at fair value through profit or loss or financial liabilities at fair value through profit or loss. Attributable transaction costs are recognized as an expense in the period in which they are incurred. With the exception of derivatives used as hedging instrument that are designated as hedging instruments in a cash flow hedge, all derivatives are measured at fair value through profit or loss. This corresponds to the market value which is determined and provided by the counterparties involved on the basis of recognized financial mathematical models. They are reported as “Other financial assets” or “Other financial liabilities” in the consolidated balance sheet.

Currently, the Group does not apply hedge accounting.

19.3.10 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost of raw materials, consumables and supplies is determined using the rolling average. In addition, incidental acquisition costs are taken into account: Work in progress and internally generated finished goods are recognized at cost. Cost includes, not only material, production and special individual costs of production, plus an allocation of appropriate parts of overheads attributable to production as well as production-related depreciation.

Net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

19.3.11 Pensions and similar obligations

The Group has pension obligations from defined benefit pension plans. Pension obligations are measured in accordance with IAS 19 using the projected unit credit method on the basis of actuarial reports. Recognized here are not only pensions known and vested at the end of the reporting period but also expected future increases of pensions and salaries.

Net interest expense of the reporting period is determined by multiplying the net obligation and the underlying discount rate.

Actuarial gains and losses from the measurement of the defined-benefit gross obligation and adjustments are recognized in other comprehensive income and presented separately in the statement of comprehensive income. Expenses from unwinding performance obligations are recognized in the financial result. Current service costs is recognized in staff costs, with past service cost from plan changes recognized immediately through profit and loss.

19.3.12 Other provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation (see IAS 37.14).

The provision amount is recognized at the expected settlement amount. Non-current provisions are discounted on the basis or the relevant market interest rates to the end of the reporting period.

19.3.13 Recognition of income and expense

Sales are recognized as revenue at the fair value of the consideration received or receivable, less any returns, trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognized if based on the agreement with the respective customer (1) the significant risks and rewards associated with ownership of the goods and products were transferred to the buyer, (2) it is sufficiently probable that the economic benefits associated with the transaction will flow to the enterprise, (3) the costs incurred and the returns in respect of the transaction can be measured reliably, (4) the enterprise does not retain effective control over the goods and (5) the amount of revenue can be measured reliably. Depending on the respective customer contract and the respective order, the time of revenue recognition regularly is the same at the time of delivery or acceptance.

Other income and expenses

Interest is recognized on an accrual base as income or expense using the effective interest rate method. Interest income and expense arise mainly from cash at banks, loans, lease and factoring agreements as well dividend income is recognized at the date that the right to receive the payment arises.

Expenses are recognized when the service is used or as of the date on which they occur.

Research costs are recognized through profit or loss in the period in which they are incurred. Expenses for development are recognized in profit and loss when incurred, unless they are development costs which must be recognized as intangible assets as a result of the relevant conditions according to IAS 38 being present.

Income taxes

The income tax expense represents the sum of current tax expense and deferred tax.

Current taxes

The current tax expense is calculated on the basis of the taxable income for the year. The taxable income differs from the net income from the consolidated statement of comprehensive income due to expenses and income which are taxable or tax-deductible in

Deferred taxes

Deferred taxes are calculated in accordance with IAS 12 on the basis of the internationally customary balance sheet liability method (liability method). Thereafter, deferred taxes are formed for all temporary differences between the tax bases and the valuations in the consolidated balance sheet as well as for tax loss carryforwards.

Deferred taxes on these determined differences are always recognized when they result in deferred tax liabilities. Deferred tax assets are only taken into account if it is probable that the corresponding tax benefits will be realized. Deferred tax assets and liabilities are also recognized on temporary differences arising in connection with company acquisitions, with the exception of temporary differences on goodwill, if these are not taken into account for tax purposes.

Deferred taxes are calculated using the tax rates for future years insofar as they have already been legally stipulated or the legislative process has essentially been completed. Changes in deferred taxes in the balance sheet generally result in deferred tax expenses or income. If certain events which result in a change of deferred taxes are posted directly to equity, the change of the deferred taxes is also recognized directly in equity.

19.3.14 Government grants

Government grants, including non-monetary grants at fair value, shall not be recognized until there is reasonable assurance that:

a) the enterprise will comply with the conditions attaching to them and
b) the grants will be received.

Grants are recognized as income over the periods in which the related costs where there are intended to compensate are incurred. Grants received as compensation for expenses incurred are recognized through profit in loss in the period in which they are incurred.

INDEPENDENT AUDITOR'S REPORT

To STS Group AG, Hallbergmoos

Opinion

We have audited the consolidated financial statements of STS Group AG, Hallbergmoos and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year from 1 January to 31 December 2016, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the financial year from 1 January to 31 December 2016 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the ethical requirements of the German professional provisions that are relevant to our audit of the consolidated financial statements in Germany, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Munich, 12 April 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dietmar Eglauer Wirtschaftsprüfer (German Public Auditor)	ppa. Christoph Tübbing Wirtschaftsprüfer (German Public Auditor)

23.4 *Financial statements of STS Group AG according to HGB as of 31 December 2015 including statement of changes in equity and cash flow statement (audited)*

Balance sheet as of 31 December, 2015

Assets		
	31.12.2015	31.12.2014
	€	€
A. Fixed assets		
Financial assets	114.509,51	100.001,00
	114.509,51	**100.001,00**
B. Current assets		
Cash and cash equivalents	4.633,31	5.172,79
	4.633,31	**5.172,79**
	119.142,82	**105.173,79**

Equity and liabilities		
	31.12.2015	31.12.2014
	€	€
A. Equity		
I. Subscribed capital	50.000,00	50.000,00
II. Capital reserve	15.000,00	0,00
III. Accumulated losses	-12.237,93	-8.057,79
	52.762,07	**41.942,21**
B. Provisions	862,85	862,85
	862,85	**862,85**
C. Liabilities	65.517,90	62.368,73
	65.517,90	**62.368,73**
	119.142,82	**105.173,79**

STS Group AG, Hallbergmoos
Formerly "mutares Holding-17 AG, Weissenfels"
HRB 231926, Munich Local Court
Income statement for the financial year from 1 January to December 31, 2015

	01.01 – 31.12.2015 €	01.01 – 31.12.2014 €
1. Other operating income	250,00	154,78
2. Other operating expenses	-1.240,97	-2.023,22
3. Interest and similar expenses	-3.189,17	-3.077,82
(of which relates to affiliated companies))	*-3.189,17*	*-3.077,82*
4. Net loss for the year	**-4.180,14**	**-4.946,26**
5. Accumulated losses brought forward	-8.057,79	-3.111,53
6. Accumulated losses carried forward	**-12.237,93**	**-8.057,79**

STS Group AG, Hallbergmoos
Formerly "mutares Holding-17 AG, Weissenfels"
HRB 231926, Munich Local Court
Statement of changes in equity for the financial year from January 1 to December 31, 2015

	Share capital €	Capital reserve €	Accumulated losses €	Total equity €
January 1, 2014	50.000,00	0,00	-3.111,53	**46.888,47**
Net loss for the year			-4.946,26	**-4.946,26**
December 31, 2014	**50.000,00**	**0,00**	**-8.057,79**	**41.942,21**
January 1, 2015	50.000,00	0,00	-8.057,79	**41.942,21**
Increase in capital reserves		15.000,00		**15.000,00**
Net loss for the year			-4.180,14	**-4.180,14**
December 31, 2015	**50.000,00**	**15.000,00**	**-12.237,93**	**52.762,07**

Cash Flow Statement 2015

STS Group AG, Hallbergmoos
Formerly "mutares Holding-17 AG, Weissenfels"
HRB 231926, Munich Local Court
Cash flow statement for the financial year from January 1 to December 31, 2015

	01.01 -31.12.2015	**01.01 – 31.12.2014**
	€	**€**
Cash flows from operating activities		
Net loss for the year	-4.180,14	**-4.946,26**
Changes in:		
Liabilities	-40,00	90,00
Adjustments for:		
Other interest and similar expenses	3.189,17	3.077,82
Net cash used in operating activities	**-1.030,97**	**-1.778,44**
Cash flows from investing activities		
Acquisition of investment in subsidiary	-14.508,51	0,00
Net cash used in investing activities	**-14.508,51**	**0,00**
Cash flows from financing activities		
Proceeds from capital reserve	15.000,00	0,00
Proceeds from borrowings	0,00	1.569,08
Interest paid	0,00	-3.077,82
Net cash from / (used in) financing activities	**15.000,00**	**-1.508,74**
Net decrease in cash and cash equivalents	**-539,48**	**-3.287,18**
Cash and cash equivalents at the beginning of the period	**5.172,79**	**8.459,97**
Cash and cash equivalents at the end of the period	**4.633,31**	**5.172,79**

STS Group AG
Formerly mutares Holding-17 AG, Weißenfels

Hallbergmoos

Notes to the annual financial statements as of December 31, 2015

1. General disclosures

STS Group AG, Hallbergmoos, is registered at the registry court of the Local Court of Munich under commercial register number HRB 231926.

The annual financial statements as of December 31, 2015 for the fiscal year from January 1 to December 31, 2015 were prepared in line with the accounting provisions of German GAAP (HGB) and the provisions of the German Stock Corporation Act (AktG).

The Company is a micro corporation ("Kleinstkapitalgesellschaft") within the meaning of Section 267a (1) HGB. The simplifications provided for micro corporations were partly utilized in the preparation of the notes to the annual financial statements. Certain disclosures have not been applied in the notes to the financial statements.

2. Accounting policies

Financial assets are valued at acquisition cost and if necessary reduced by impairment losses.

Cash and cash equivalents are carried at nominal value.

The **subscribed capital** is recognized at nominal amount.

Other provisions take into account uncertain liabilities and anticipated losses from pending transactions at their settlement amounts as required to reasonable commercial judgement, whereby any future price and cost increases are considered. **Liabilities** are recognized at settlement amount.

3. Balance sheet disclosures

Liabilities to shareholders amount to EUR 65,517.90 (previous year: EUR 62,368.73) with a remaining term of less than one year.

4. Other disclosures

4.1 Capital reserves

In the financial year 2015 an amount of EUR 15,000.00 was contributed in cash to capital reserves.

4.2 Dependent company report

The Management Board has compiled a report on relationships with affiliated companies in accordance with Section 312 AktG with the following conclusion:

After extensive examination, the Management Board has come to the conclusion that, with respect to the transactions and measures listed and according to the circumstances known at the time, the Company received appropriate compensation for every transaction and was not disadvantaged by any measures performed or omitted.

4.3 Group affiliation

The Company is consolidated as a full subsidiary in the consolidated financial statements of mutares AG, Munich, which are published in the Federal Gazette.

Hallbergmoos, April 10, 2018

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Andreas Becker

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Stephan Vrublovsky

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Patrick Oschust

Auditor's report

INDEPENDENT AUDITOR'S REPORT

To STS Group AG, Hallbergmoos

Opinion

We have audited the annual financial statements of STS Group AG, Hallbergmoos (the "Company"), which comprise the balance sheet as at December 31, 2015, and the income statement, the statement of changes in equity and the cash flow statement for the financial year from January 1 to December 31, 2015, and the notes to the annual financial statements, including the recognition and measurement policies presented therein.

In our opinion, the accompanying annual financial statements give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2015 and of its financial performance for the financial year from January 1 to December 31, 2015 in compliance with German Legally Required Accounting Principles.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the annual financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements of the German professional provisions that are relevant to our audit of the annual financial statements in Germany, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the annual financial statements

Management is responsible for the preparation of annual financial statements that give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless, provided no actual or legal circumstances conflict therewith.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Munich, 10 April 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dietmar Eglauer Wirtschaftsprüfer (German Public Auditor)	ppa. Christoph Tübbing Wirtschaftsprüfer (German Public Auditor)

23.5 Pro forma consolidated financial information for the financial year 2017 including auditor's report

a) Introduction

Pursuant to the sale and purchase agreement dated 6 March 2017, the STS Group AG, Hallbergmoos / Germany (prior to its changes in name and domicile: mutares Holding-17 AG, Weißenfels / Germany; "STS Group AG" or the "Company", and together with its subsidiaries, the "STS Group" or the "Group") acquired all shares in STS Composites France S.A.S., Lyon / France (prior to its change in name: Inoplast Truck S.A.S.), MCR S.A.S., Lyon / France, STS Composites Germany GmbH, Munich / Germany (prior to its change in name: Inoplast Trucks GmbH), Inoplast Trucks S.A. de C.V., Ramos Arizpe / Mexico, and STS Plastics Co., Ltd., Jiangyin / Peoples Republic of China (prior to its change in name: Plastic Omnium Composites Co., Ltd. All five legal entities together the "Dolmen Group"). The consideration was paid in cash. The transaction closed on 30 June 2017 (the "Dolmen Acquisition"). As a mandatory condition for the closing of the Acquisition, the sellers had to transfer all agreed-upon assets, rights, employees, and obligations by way of an asset deal to three Newcos in France (STS Composites France S.A.S), Germany (STS Composites Germany GmbH) and Mexico (Inoplast Trucks S.A. de C.V.) prior thereto (the "Carve out").

The Acquisition of the Dolmen Group had a significant impact on the net assets and financial position of the STS Group and will substantially affect the results of the operations going forward. The Company prepared the accompanying pro forma consolidated financial information, consisting of a pro forma consolidated income statement for the period from 1 January 2017 to 31 December 2017 and pro forma notes (the "Pro Forma Consolidated Financial Information"). A separate pro forma consolidated statement of financial position as of 31 December 2017 is not required, as the STS Group AG acquired the Dolmen Group on 30 June 2017 and therefore has included the Dolmen Group in the consolidated statement of financial position of the STS Group as of 31 December 2017.

In addition, on 30 September 2017 the Group acquired 100 % of the shares in Minas Têxteis - Fabricação de Peças e Partes Automotivas Ltda., Betim / Minas Gerais, Brazil (the "Opus Acquisition"), which produces soft trim products for eight platforms of one OEM. The major product groups comprise trunk side trim, inner dashes and floor insulators. The acquisition was completed via a holding company in Germany (STS Brazil Holding GmbH, Munich, together the "Opus Group").

The Company included the Opus Group to the accompanying Pro Forma Consolidated Financial Information. A separate pro forma consolidated statement of financial position as of 31 December 2017 is not required as the STS Group AG acquired the Opus Group on 30 September 2017 and therefore has included the Opus Group in the consolidated statement of financial position of the STS Group as of 31 December 2017.

The purpose of the Pro Forma Consolidated Financial Information is to show the material effects that the Dolmen and Opus Acquisitions would have had on the historical consolidated financial statements of the Company, if these Acquisitions had occurred on 1 January 2017. The Pro Forma Consolidated Financial Information do not include the impact of any revenue, cost or other operating synergies that may result from the Dolmen or Opus Acquisition or any related restructuring costs.

As such, the presentation of the Pro Forma Consolidated Financial Information of the Company is based on certain pro forma assumptions described in the accompanying notes that STS Group AG considers to be reasonable and is prepared for illustrative purposes only. In particular, the Pro Forma Consolidated Financial Information assumes that the Dolmen Acquisition as well as the Opus Acquisition occurred on 1 January 2017 and that any associated transaction costs were incurred prior to 1 January 2017.

Therefore, the Pro Forma Consolidated Financial Information describes only a hypothetical situation and thus, due to its nature, the presentation does not reflect the actual results of operations of the Group if these Acquisitions had occurred on 1 January 2017. In addition, the Pro Forma Consolidated Financial Information is not indicative of the net assets, financial position and results of operations of the Group at any future time.

Furthermore, the Pro Forma Consolidated Financial Information should be read in conjunction with the historical consolidated financial statements of the Group as of and for the year ended 31 December 2017, included elsewhere in this prospectus.

b) Historical financial information

Historical financial information used

The Pro Forma Consolidated Financial Information is based on the following historical financial information:

- Audited consolidated financial statements of STS Group AG as of and for the year ended 31 December 2017, prepared in accordance with the International Financial Reporting Standards, as adopted by the EU ("IFRS"), included elsewhere in this prospectus, and

- Unaudited combined income statement of the Dolmen Group for the period from 1 January 2017 to 30 June 2017, prepared in accordance with IFRS, but not necessarily in accordance with the accounting policies applied by the STS Group. In this combined income statement of the Dolmen Group, any transactions between entities of the Dolmen Group were eliminated.

- Unaudited income statement of the Opus Group for the period from 1 January 2017 to 30 September 2017, prepared in accordance with the IFRS as applied by the seller, but not necessarily in accordance with the accounting policies applied by the STS Group.

The underlying figures presented in the Pro Forma Consolidated Financial Information have been prepared in accordance with IFRS and the consistent application of the accounting policies of the STS Group, which are described in the notes to the audited consolidated financial statements of the Group as of and for the financial year ended 31 December 2017 (the "Basic Figures").

Alignment of the historical financial information

In order to present uniform Basic Figures in the Pro Forma Consolidated Financial Information, the combined income statement of the Dolmen Group for the period from 1 January 2017 to 30 June 2017 has been adjusted to align with the accounting policies applied by the STS Group as of and for the financial year ended 31 December 2017. For the combined income statement of the Opus Group for the period from 1 January 2017 to 30 September 2017, no adjustments were necessary to align with the accounting policies applied by the STS Group as of and for the respective financial year.

The following table summarizes the accounting policy adjustments to the combined income statement of the Dolmen Group for the period from 1 January 2017 to 30 June 2017.

kEUR	Historical Dolmen Group	Presentation adjustments	Presentation note	Adjusted Dolmen Group
1 January 2017 to 30 June 2017				
Revenues	109,782			109,782
Increase or decrease in finished goods inventories and work in progress	1,012			1,012
Other operating income	4,929	67	(i)	4,996
Material expenses	(59,240)	48	(ii)	(59,192)
Personnel expenses	(29,172)			(29,172)
Depreciation and amortization expenses	(2,858)	(48)	(ii)	(2,906)
Other operating expenses	(18,660)	(67)	(i)	(18,727)
Interest and similar income	3			3
Interest and similar expenses	(303)			(303)
Income before income tax expenses	**5,493**			**5,493**
Income tax expenses	(416)			(416)
Income after income tax expenses	**5,077**			**5,077**

The following presentation adjustments were applied to the combined income statement of the Dolmen Group for the period from 1 January 2017 to 30 June 2017.

Presentation adjustments

(i) Other operating income; Other operating expenses

The STS Group shows income from reversal of a provision as other operating income. According to the accounting policies of the previous owner, such income from reversal of a provision was in contrast recognized at the respective expense category. Consequently, an income from the reversal of a provision of the Chinese entity of the Dolmen Group (kEUR 67) was re-classified from other operating expenses to other operating income.

(ii) Material expenses; Depreciation and amortization expenses

The STS Group distinguishes between material expenses and depreciation of tooling. Thus, the material expenses related to tooling of the Chinese entity of the Dolmen Group (kEUR 48) were re-classified from material expenses to depreciation and amortization expenses.
According to the above, depreciation and amortization expenses were increased by kEUR 48 for the use of tooling assets.

Accounting and valuation adjustments

Pre-acquisition, the five entities of the Dolmen Group were part of the Plastic Omnium Group, a group listed on the French stock exchange. As such, the accounting and reporting of these entities was historically in accordance with IFRS.

No accounting and valuation adjustments were applied to the combined income statement of the Dolmen Group for the period from 1 January 2017 to 30 June 2017.

c) Basis of preparation

Preparation principles

The Pro Forma Consolidated Financial Information was prepared on the basis of the IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (IDW AcPS AAB 1.004; German: *IDW Rechnungslegungshinweis: Erstellung von Pro-forma-Finanzinformationen; IDW RH HFA 1.004*), as promulgated by the Institute of Public Auditors in Germany (*IDW; Institut der Wirtschaftsprüfer in Deutschland e.V.*).

The pro forma adjustments made for purposes of the Pro Forma Consolidated Financial Information are based on information available, as well as certain pro forma assumptions of the Company as described in these pro forma notes.

The Pro Forma Consolidated Financial Information is presented in euros (EUR). Unless otherwise stated, all figures have been rounded to the nearest EUR thousand. For computational reasons, there may be rounding differences to the exact mathematical values in tables and references.

A dash ("-") before any figures in the tables indicates negative values or expenses.

The Dolmen Acquisition

As of 30 June 2017, the STS Group acquired all shares in the five entities of the Dolmen Group. The Dolmen Acquisition is accounted for as a business combination in accordance with IFRS 3 and the results of the purchase price allocation are disclosed in the notes to the audited consolidated financial statements of STS Group AG for the financial year ended 31 December 2017. As such, the initial consolidation of a business acquired takes place at the acquisition date, i.e. the date the acquiring company obtains control over the acquired business. As control was obtained with the closing of the transaction on 30 June 2017, the consolidated income statement of STS Group AG for the financial year ended 31 December 2017 contains only such income and expenses of the Dolmen Group that are related to the period from 1 July 2017 to 31 December 2017.

Prior to the Dolmen Acquisition in the period from 1 January 2017 to 30 June 2017, there were no transactions between the STS Group and the Dolmen Group.

The Opus Acquisition

As of 30 September 2017, the STS Group acquired via STS Brazil Holding GmbH all shares in Minas Têxteis - Fabricação de Peças e Partes Automotivas Ltda., Betim / Minas Gerais, Brazil. The Opus Acquisition is accounted for as a business combination in accordance with IFRS 3 and the results of the purchase price allocation are disclosed in the notes to the audited consolidated financial statements of STS Group AG for the financial year ended 31 December 2017. As such, the initial consolidation of a business acquired takes place at the acquisition date, i.e. the date the acquiring company obtains control over the acquired business. As control was obtained with the closing of the transaction on 30 September 2017, the consolidated income statement of STS Group AG for the financial year ended 31 December 2017 contains only such income and expenses of the Dolmen Group that are related to the period from 1 October 2017 to 31 December 2017.

Prior to the Opus Acquisition in the period from 1 January 2017 to 30 September 2017, there were no transactions between the STS Group and the Opus Group.

Pro forma assumptions

Date of Acquisition

For purposes of the Pro Forma Consolidated Financial Information it is assumed that the Dolmen Acquisition and the Opus Acquisition occurred as of 1 January 2017 and that STS Group AG subsequently consolidated the Dolmen Group and Opus Group for pro forma purposes beginning on 1 January 2017.

Transaction costs for the Acquisition

For purposes of the Pro Forma Consolidated Financial Information it is assumed that the transaction costs related to the Acquisition are fully tax-deductible and treated as if incurred prior to 1 January 2017.

d) Pro forma consolidated income statement for the period from 1 January 2017 until 31 December 2017

	Basic Figures						
	Historical financial information						
	STS Group	Adjusted Dolmen Group [1]	Opus Group	Totals column	Pro forma note	Total pro forma adjustments	Pro forma consolidated income statement
kEUR	1 January 2017 to 31 December 2017	1 January 2017 to 30 June 2017	1 January 2017 to 30 September 2017	1 January 2017 to 31 December 2017			
						1 January 2017 to 31 December 2017	
Revenues	309,993	109,782	5,451	425,226			425,226
Increase or decrease in finished goods inventories and work in progress	2,450	1,012		3,462			3,462
Other operating income	55,735	4,996	74	60,804			60,804
Material expenses	(190,555)	(59,192)	(2,759)	(252,506)			(252,506)
Personnel expenses	(75,619)	(29,172)	(1,371)	(106,162)			(106,162)
Depreciation and amortization expenses	(8,177)	(2,906)	(417)	(11,500)	(ii)	(790)	(12,290)
Other operating expenses	(46,967)	(18,727)	(906)	(66,599)	(i) (ii)	1,590	(65,010)
Interest and similar income	56	3		59			59
Interest and similar expenses	(3,072)	(303)		(3,375)	(iii)	(100)	(3,475)
Income before income tax expense	**43,844**	**5,493**	**72**	**49,408**		**699**	**50,108**
Income tax expense	3,121	(416)	(25)	2,680	(i) (ii) (iii)	(180)	2,500
Income after income tax expense	**46,965**	**5,077**	**48**	**52,089**		**519**	**52,608**
Thereof attributable to owners of STS Group AG	46,965						52,608
Earnings per share in EUR (basic)	**0.94**						**1.05**
Earnings per share in EUR (diluted)	**0.94**						**1.05**

[1] For a description of the accounting policy adjustments applied to the historical financial information of the Dolmen Group, please refer to chapter b)

Earnings per share are calculated on the weighted average number of ordinary shares. During the financial year ended 31 December 2017, the weighted average number of ordinary shares outstanding was 50,000.

e) Explanation of the pro forma adjustments

Pro forma adjustments with a one-off effect

The following pro forma adjustments with a one-off effect were applied to the pro forma consolidated income statement for the financial year ended 31 December 2017.

(i) Transaction costs

In the period from 1 January 2017 to 31 December 2017, the STS Group AG recognized transaction costs of kEUR 814 specifically related to the Dolmen Acquisition and kEUR 400 specifically related to the Opus Acquisition, which were eliminated from other operating expenses for pro forma purposes.

The resulting effect on income taxes of this adjustment amounts to kEUR -220 for the Dolmen Acquisition and kEUR -108 for the Opus Acquisition, each calculated with the applicable tax rate of 27.03 %.

Pro forma adjustments with a continuing effect

The following pro forma adjustments with a continuing effect were applied to the pro forma consolidated income statement for the financial year ended 31 December 2017.

	Pro forma adjustments with a continuing effect			
kEUR	Purchase price allocation - Dolmen Acquisition	Purchase price allocation - Opus Acquisition	Purchase price financing - Opus Acquisition	Total pro forma adjustments with a continuing effect
1 January 2017 to 30 September 2017				
Pro forma note	(ii)	(ii)	(iii)	
Revenues				
Increase or decrease in finished goods inventories and work in progress				
Other operating income				
Material expenses				
Personnel expenses				
Depreciation and amortization expenses	(773)	(17)		(790)
Other operating expenses	375			375
Interest and similar income				
Interest and similar expenses			(100)	(100)
Income before income tax expense				**(515)**
Income tax expense	115	6	27	148
Income after income tax expense				**(367)**

(ii) Purchase price allocation

Dolmen Acquisition

As described in the notes to the consolidated financial statements of the STS Group AG as of and for the financial year ended 31 December 2017, through the purchase price allocation for the Dolmen Acquisition the STS Group recognized certain fair values of the assets and liabilities of the Dolmen Group. In particular, fair value adjustments were recognized for intangible assets, land and buildings, technical equipment and machinery, inventories, deferred tax assets and deferred tax liabilities. The purchase price allocation of the Dolmen Acquisition resulted in a one-time, non-recurring gain of kEUR 41,965 from a bargain purchase.

Fair value adjustments recognized on intangible assets are subject to amortization and considered for pro forma purposes as follows. The fair value adjustments of intangible assets resulted in additional straight-line amortization of technologies of kEUR 349 (kEUR 3,460 based on remaining useful lives of five years) and additional straight-line amortization of customer relationships of kEUR 537 (kEUR 7,059 based on remaining useful lives between five and ten years), both recognized as amortization expenses. Additionally, fair value adjustments recognized on buildings, technical equipment and machinery are subject to depreciation. For pro forma purposes, a straight-line depreciation of buildings of kEUR 42 (kEUR 2,718 based on remaining useful lives between 31 and 33 years) and technical equipment and machinery of kEUR 18 (kEUR 256 based on a remaining useful life of seven years) was considered.

Similarly, fair value adjustments as a result of a write-down of buildings (included in property, plant and equipment) in connection with the purchase price allocation resulted in a reduction of depreciation through reversal of kEUR 173 (kEUR 5,183 based on a remaining useful life of 15 years). Other fair value adjustments of other current liabilities are related to guarantees and onerous contracts of kEUR 375 (based on a remaining useful life of one year) and are considered for pro forma purposes as a relief from other operating expenses as a result of the reversal.

As a result of these adjustments, income tax expenses were adjusted by kEUR 115 for pro forma purposes due to the reversal of deferred tax assets and liabilities on the purchase price adjustments referred to above, calculated with the applicable tax rates of the affected entities – namely in China of 25.0 %, in France of 33.0 %, in Mexico of 30.0 %.

There are no prior fair value adjustments and corresponding depreciation and amortization expenses recognized in the Dolmen Group that need to be eliminated for pro forma purposes.

Opus Acquisition

As described in the notes to the consolidated financial statements of the STS Group AG as of and for the financial year ended 31 December 2017, through the PPA for the Opus Acquisition the STS Group recognized certain fair values of the assets and liabilities of the Dolmen Group. In particular, fair value adjustments were recognized for land and buildings, technical equipment and machinery and deferred tax liabilities. The purchase price allocation of the Opus Acquisition resulted in a one-time, non-recurring gain of kEUR 4,992 from a bargain purchase.

Fair value adjustments recognized on buildings, technical equipment and machinery except for land are subject to depreciation and considered for pro forma purposes as follows. For pro forma purposes, a straight-line depreciation of buildings of kEUR 17 (kEUR 446 based on a remaining useful live of 20 years) was considered.

As a result of these adjustments, income tax expenses were adjusted by kEUR 6 for pro forma purposes due to the reversal of deferred tax liabilities on the purchase price adjustments referred to above, calculated with the applicable tax rate of Brazil of 34.0 %.

There are no prior fair value adjustments and corresponding depreciation expenses recognized in the Opus Group that need to be eliminated for pro forma purposes.

(iii) Purchase price financing

As described in the notes to the consolidated financial statements of the STS Group AG as of and for the financial year ended 31 December 2017, the Opus Acquisition was not cash-effective in financial year 2017. The consideration of kEUR 2,685 is to be paid in five annual installments and in addition interest of 5 % p.a. thereon. Consequently, the interest expenses were adjusted by kEUR -100 for pro forma purposes – the equivalent to the interest expenses for the nine month period ended 30 September 2017. Further, the related effect on income tax expenses was considered at the applicable tax rate of the acquiring entity in Germany, i.e. 27.0 %.

f) Auditor's report

To STS Group AG, Hallbergmoos

We have audited whether the pro forma consolidated financial information for the period from 1 January 2017 to 31 December 2017 of STS Group AG, Hallbergmoos, has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the Company. The pro forma consolidated financial information comprises a pro forma income statement for the period from 1 January 2017 to 31 December 2017 as well as pro forma notes.

The purpose of the pro forma consolidated financial information is to present the material effects the transactions described in the pro forma notes would have had on the historical financial statements if the group had existed in the structure created by the transactions throughout the entire reporting period of the pro forma income statement. As pro forma consolidated financial information reflects a hypothetical situation, it is not entirely consistent with the presentation that would have resulted had the relevant events actually occurred at the beginning of the reporting period of the pro forma income statement. Therefore, we do not issue an opinion on the actual effects of the transactions described in the pro forma notes.

The compilation of pro forma consolidated financial information in accordance with the principles of the IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (IDW AcPS AAB 1.004) promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) is the responsibility of the management of the Company.

Our responsibility is to express an opinion, based on our audit, whether the pro forma consolidated financial information has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the Company. This includes the evaluation of the overall presentation of the pro forma consolidated financial information. The subject matter of this engagement does neither include an audit or review of the basic figures including their adjustment to the accounting policies of the Company, nor of the pro forma assumptions stated in the pro forma notes.

We have planned and performed our audit in accordance with the IDW Auditing Practice Statement: Audit of Pro Forma Financial Information (IDW AuPS 9.960.1) promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) in such a way that material errors in the compilation of the pro forma consolidated financial information on the basis stated in the pro forma notes and in the compilation of this basis consistent with the accounting policies of the Company are detected with reasonable assurance.

In our opinion, the pro forma consolidated financial information has been properly compiled on the basis stated in the pro forma notes. This basis is consistent with the accounting policies of the Company.

Munich, 12 May 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dietmar Eglauer
Wirtschaftsprüfer
(German Public Auditor)

Nadja Picard
Wirtschaftsprüferin
(German Public Auditor)

24. Glossary

ACV	Agriculture and construction vehicles
AMC	Advanced molding compound.
AG	German Stock Corporation
AktG	"Aktiengesetz", German Stock Corporation Act
AStG	“Außensteuergesetz”, Foreign Taxation Act
BaFin	"Bundesanstalt für Finanzdienstleistungsaufsicht", German Federal Financial Supervisory Agency
BMC	Abbreviation for Bulk Molding Compound, a combination of short chopped glass strands, mineral fillers and liquid thermosetting resin in the form of a bulk material.
BZSt	"Bundeszentralamt für Steuern*",* Federal Central Tax Office,
CW	Calendar week
EBITDA	The key EBITDA figures were determined based on the consolidated financial statements, but are unaudited; EBITDA (English: earnings before interest, taxes, depreciation and amortization) represents "earnings before interest, taxes, of tangible fixed assets and amortization on intangible assets.
EStG	“Einkommensteuergesetz”, German Income Tax Act
e-mobility	The term e-mobility stands for electro-mobility and includes full electric vehicles, as well as hybrid electric vehicles and those, using hydrogen fuel cell technology. All of these represent ideas for electronically driven vehicles for the future.
hard trim	Nonfunctional metal or plastic molding, frames and other decorative additions to vehicle bodies and interiors
HGB	"Handelsgesetzbuch", German Commercial Code
IPO cash capital increase	Increase of the share capital by EUR 1,000,000 by resolution of the extraordinary General shareholders' meeting as of 8 May 2018 to create 1,000,000 New Shares
ISIN	Abbreviation for International Securities Identification Number The ISIN service the clear international identification of securities. It consists of a two-digit country code (for example DE for Germany), followed by a ten-digit numerical identification.
LCV	Light commercial vehicles
LV	Light vehicles
MHCV	Medium and heavy commercial vehicles
NAFTA	Abbreviation for North American Free Trade Agreement, an agreement signed by Canada, Mexico, and the United States, creating a trilateral trade bloc in North America

OEM	Abbreviation for original equipment manufacturer; an OEM is a company that produces parts and equipment that may be marketed by another manufacturer
Para.	Paragraph
PLN	Abbreviation for Zloty, the Polish currency
Private placement	Private Placement is a private, non-public sale (Placement) of assets (here: shares)
Prospectus liability	Liability of the Issuer for intentionally or negligently incorrectly or incompletely provided data in sales or securities prospectuses.
SMC	Abbreviation for Sheet Molded Compound, a combination of long chopped glass strands, mineral fillers and liquid thermosseting resin in the form of a malleable sheet material
soft trim	A vehicle's interior decoration, including the upholstery, roof and door linings
sqm	Square meters
Tier 1 supplier	Tier 1 supplier (First Tier supplier) is a company that provides parts and materials directly to a manufacturer of goods
Tier 2 supplier	Tier 2 supplier (Second Tier supplier) is a company that supplies materials or parts to another company that then supplies them to a manufacturer
WKN	Abbreviation for Securities Identification Number. The WKN is used to clearly identify a Security. It is a six-digit number and is exclusively used for tradeable securities in Germany.
WpHG	**"**Wertpapierhandelsgesetz", German Securities Trading Act
WpPG	"Wertpapierprospektgesetz", German Securities Prospectus Act
WpÜG	"Wertpapiererwerbs- und Übernahmegesetz", German Securities Acquisition and Takeover Act

25. Recent Development and Outlook

25.1 Recent Developments

Capital increase from company funds as of 13 April 2018

The Company's extraordinary general meeting held on 13 April 2018 resolved on a capital increase from company reserves from EUR 50,000.00 by EUR 1,000,000.00 to EUR 1,050,000.00 according to the provisions of the German Stock Corporation Act (AktG) (Sections 207 et seqq. AktG) by converting a partial amount of the capital reserve. The capital increase has been conducted by issuing 1,000,000 new no-par value bearer shares with a pro rata amount of the Company's share capital amounting to EUR 1.00 per no-par value share. The Selling Shareholder as the Company's sole shareholder subscribed for all new shares. The new shares carry full dividend rights as of 1 January 2018. The implementation of the capital increase was registered with the commercial register (*Handelsregister*) on 24 April 2018.

Capital increase against cash contributions as of 25 April 2018

The Company's extraordinary general shareholders' meeting held on 25 April 2018 resolved to increase the Company's share capital from EUR 1,050,000.00 by EUR 3,950,000.00 to EUR 5,000,000.00 by issuing 3,950,000 new no-par value bearer shares with a pro rata amount of the Company's share capital amounting to EUR 1.00 per no-par value share. The Selling Shareholder as the Company's sole shareholder subscribed for all new shares. The new shares carry full dividend rights as of 1 January 2018. The implementation of the capital increase was registered with the commercial register (*Handelsregister*) by 30 April 2018.

Financial and business developments

In the first months of the current financial year, the STS Group’s relevant markets in terms of business segments and regions developed in line with the Company’s expectations, which contributed positively to STS Group’s results of operations for the first quarter of 2018. Revenue on a consolidated basis has increased significantly as compared to the corresponding period in the prior financial year primarily as a result of the Dolmen Acquisition and the Opus Acquisition. Other than as a direct result of these acquisitions, the STS Group has experienced strong revenue growth in particular in China due to the commencement of new projects. Synergies as well as enhancements of production efficiency resulting in lower scrap rates and a corresponding decrease in material expenses have contributed positively to the STS Group’s income before income tax expense. These positive effects were partially offset by higher costs attributable to the ramping up of new production lines at the STS Group’s Polish plant and relatively high raw material prices. Order intake with respect to newly acquired business and the corresponding additions to the STS Group’s order backlog in the first months of the current financial year have developed in line with management’s expectations.

As part of the Company's strategy to achieve further growth in new geographical markets and to ramp up its business in China, STS Group leased its third production site in Shiyan (China). The respective agreement was signed on 23 March 2018 and operations are expected to commence in the first quarter of the financial year 2019.

25.2 Outlook

General business outlook

The progress of the integration of the Bellini Acquisition, Dolmen Acquisition and Opus Acquisition is in line with the Company’s post-merger integration plans and the Company believes that all major integration steps, such as the carve-out of the IT systems from its former corporate groups and the termination of still existing transition service agreements will have been finalized by the end of the current financial year. Generally, customer demand in the STS

Group's end markets remains at relatively high levels. The STS Group expects that this trend will continue throughout the current financial year, mainly driven by demand of customers in China which is, in the Company's opinion, proof of the significant growth potential in this market.

Outlook concerning the Plastics segment

The STS Plastics segment is currently being restructured in France, and, as a consequence thereof, the STS Group is reorganizing important plants and operational procedures in Saint-Désirat, Félines and Précigné. As a result of the reorganization STS Group expects a optimized plant footprint and a more efficient production. The non-renewal of a contract with Scania in France in 2018 pertaining to STS Group's Plastics segment may adversely affect its business unless it can be offset by new business from existing or new customers, even though the STS Group estimates the contract will account for less than 5% of forecasted revenue for 2018. The Company expects to be able to partially offset this effect with new business from existing or new customers.

Outlook concerning the Acoustics segment

For the remainder of 2018, the STS Group expects that productivity will increase. To implement this increase in productivity, the STS Group intends to start to insource the production of various products in the Acoustics segment. With regard to the introduction of new products, it is planned to ramp up of the new production plant for the commercial vehicle segment in Poland. Due to various efficiency improvements such as and a solid supply chain, the Acoustics segment is in the process of optimising its operational expenditures. Material prices are expected to remain stable.

Outlook concerning the Materials segment

The Materials segment is currently developing new formulas to reduce emissions such as lightweight materials as well as battery packs for hybrid and electric vehicles. Based on lower raw material consumption and labor costs and various process optimisation measures, the Materials segment is anticipating to increase its effectiveness. The purchase price of raw materials used in the Materials segment's products, e.g. resins, glass fibers and additives, are increasing compared to the year 2017, and the supply situation has tightened. In particular, the demand for glass fibers has exceeded the production capacity. The STS Group's supply contract regarding glass fibers will expire at the end of the financial year 2018 and it is currently assessing ways to mitigate the corresponding risk of price increases for glass fibers upon expiration of the contract. .