SIMONA

SUSTAIN ABLE GROWTH

FINANCIAL STATEMENTS 2022

FINANCIAL STATEMENTS OF SIMONA AG FOR THE FINANCIAL YEAR 2022

This management report combines the Group management report and the separate management report of SIMONA Aktiengesellschaft, Kirn, (referred to also as SIMONA AG, SIMONA or company) (Section 315(5) in conjunction with Section 298(2) of the German Commercial Code – HGB). It includes details relating to the course of business, including performance, as well as the position and expected development of the Group and SIMONA AG. Information pertaining to SIMONA AG has been included in the business review that can be found in a separate section with details presented in accordance with provisions set out in the German Commercial Code (Handelsgesetzbuch – HGB).

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1. FUNDAMENTAL INFORMATION ABOUT THE GROUP

1.1 THE BUSINESS MODEL

The SIMONA Group develops, manufactures and markets a range of semi-finished thermoplastics, pipes and fittings as well as profiles. The materials used include polyethylene (PE), polypropylene (PP), polyvinyl chloride (PVC), polyethylene terephthalate (PETG), polyvinylidene fluoride (PVDF), ethylene-chlorotrifluoroethylene (E-CTFE), perfluoroalkoxy (PFA), thermoplastic olefins (TPO), acrylonitrile butadiene styrene (ABS), polycarbonate (PC) and various specialist materials. The production methods applied within this area range from extrusion, pressing, injection moulding and machining as well as the manufacture of customised fittings by the company's in-house plastics workshop.

Key sales markets

The SIMONA Group's sales markets are reflected in its business lines. The Industry business line mainly supplies the chemical process and semiconductor industry, in addition to manufacturing products used in the field of water treatment, swimming pool construction and medical technology. The Infrastructure business line primarily manufactures piping systems for infrastructure applications centred around water and gas supply, wastewater disposal, the protection of power and data lines, and traffic route technology. The Advertising & Building business line mainly supplies PVC foam products for building and advertising applications. The Mobility business line specialises in products used in the interior design of aircraft and trains as well as motor vehicles. In addition, SIMONA supplies equipment tailored to the requirements of the fish farming market.

The SIMONA Group markets its products worldwide. The reporting structure is categorised geographically according to the following regions:

- EMEA (Europe, Middle East, Africa)
- Americas
- Asia-Pacific

In addition, the reporting structure covers the following business lines:

- Industry
- Infrastructure
- Advertising & Building
- Mobility
- Others

Production and sales locations

Sales activities at Group level are conducted by SIMONA AG and subsidiaries in the United Kingdom, Italy, France, Spain, Poland, the Czech Republic, Russia (until February 2022), Hong Kong, China, India, Norway, Turkey (hereinafter referred to as "Türkiye") and the United States, both directly and via trading partners. Beyond this, SIMONA AG operates a sales office in Möhlin, Switzerland. It contributes around 3 per cent to Group sales revenue. The parent company, SIMONA AG, has its registered office in 55606 Kirn (Germany).

In the period under review, the SIMONA Group operated three manufacturing facilities in Germany and eight plants located abroad. Semi-finished products (sheets, rods, welding rods) are manufactured at two plants in Kirn (Rhineland-Palatinate), while pipes, fittings and customised parts are produced at a facility in Ringsheim (Baden-Württemberg). The plant in Litvinov (Czech Republic) produces pipes, fittings and sheets. SIMONA PEAK Pipe Systems Limited, Chesterfield (UK), produces pipes, fittings and customised components. SIMONA Stadpipe AS, Stadlandet (Norway), plans, produces and installs piping systems for aquaculture applications. SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Düzce (Türkiye), produces sheet products, while the site in Jiangmen (China) manufactures sheets. The facility operated by SIMONA AMERICA Industries LLC in Archbald (Pennsylvania, USA) mainly produces sheet products. SIMONA Boltaron Inc. produces thermoplastic sheet products at its plant in Newcomerstown (Ohio, USA), which are primarily used for aircraft interiors and in the building sector. In addition, SIMONA PMC, LLC in Findlay (Ohio, USA) produces sheets for thermoforming applications.

Management and supervision at SIMONA AG

The Management Board members in the financial year under review were Matthias Schönberg (Chairman/CEO), Michael Schmitz and Dr. Jochen Hauck. At Group level, SIMONA's Global Management Team (GMT) consists of the Management Board of SIMONA AG as well as the regional CEOs in the Americas, Adam Mellen, and Asia-Pacific, Y.K. Wong (until 31 December 2022) and Shaobin Wang (since 1 January 2023). The GMT facilitates a regular exchange relating to Group strategy, in addition to managing global projects and driving the process of internationalisation within the company.

The members of the Supervisory Board were as follows in the period under review: Dr. Klaus F. Erkes (Chairman), Dr. Roland Reber (Deputy Chairman), Roland Frobel and Martin Bücher as well as Andy Hohlreiter and Markus Stein as employee representatives.

1.2 OBJECTIVES AND STRATEGIES

The SIMONA Group has captured the essence of its strategic orientation in the motto "GrowTogether". In this context, the focus is on thermoplastic sheets, pipes and fittings, which SIMONA supplies to industries undergoing global growth. A target has been set for profitable growth based on an EBIT margin of 6 to 8 per cent, which is to be achieved organically and through company acquisitions. SIMONA is looking to become the company with the highest degree of end-consumer orientation within its industry. The motto "A company like a friend." emphasises the aspiration of a close and trusting relationship with all stakeholders. This is promoted by well-trained employees, open communication and a culture of feedback. In 2022, SIMONA's corporate strategy was extended to include specific aspects relating to sustainability, based on the key pillars of sustainable products, sustainable manufacturing and processes as well as employee appreciation.

The Group's corporate strategy is implemented as part of strategic initiatives for which milestones are defined. Within the area of process orientation, this included the introduction of a new customer relationship management system in 2022, which is being rolled out across the Group. The principle of application orientation was further refined within the business lines in EMEA as well as in Global Industry Working Groups – for areas of business to be developed globally. In an effort to implement SIMONA's sustainability strategy, a separate department was established in 2022 and integrated within the Group's organisational structure. Additionally, a Global Sustainability Board was set up for the purpose of reviewing the strategy on a regular basis and making milestone decisions. The Sustainability department reports to the Chairman of the Management Board (CEO) and is responsible for formulating concrete goals and executing the sustainability strategy. A new target dimension referred to as "Environmental Social Governance" was included in the Balanced Scorecard, a tool used in the context of corporate management (cf. Chapter 1.3).

Measures aimed at implementing the investment programme associated with SIMONA's corporate strategy continued as planned. In 2022, the focus was on further improving efficiency levels and expanding production capacity in the Asia-Pacific region in the form of a plant extension in Jiangmen, China. Furthermore, production capacity was expanded at SIMONA PMC in the United States.

1.3 INTERNAL CONTROL SYSTEM

SIMONA uses the Balanced Scorecard (BSC) as a strategic management and monitoring instrument. In this context, the Global Management Team (GMT) is responsible for the BSC corporate goals, as well as being accountable for regularly reviewing the efficacy of the BSC process as part of an overall assessment of the management system. The BSC cascades down to the company's other management levels and is applied consistently worldwide. In 2022, the BSC was expanded to include the Environmental Social Governance (ESG) target dimension to reflect the increasing importance of these goals in the execution of the sustainability strategy defined in 2022.

The analysis and assessment of earnings performance by SIMONA are conducted primarily with the help of sales revenue as well as the two financial indicators EBIT and EBITDA. EBIT represents the operating result before interest and taxes as well as income from investments. EBITDA (earnings before interest, taxes, depreciation and amortisation as well as investment income) represents an approximation for cash flow from operat-

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ing activities, as non-cash depreciation/write-downs of property, plant and equipment as well as amortisation/write-downs of intangible assets and right-of-use assets under leases are added to the EBIT figure.

Additionally, the return on operating assets is reviewed annually within the Group as part of the forecasting process and serves as an important criterion when it comes to managing the investment budget. ROCE, which stands for return on capital employed, is used as a profitability indicator (capital employed is calculated as follows: intangible assets, property, plant and equipment, financial assets, inventories and trade receivables less trade payables).

The principal non-financial indicators employed by the company include customer satisfaction, number of staff and their qualifications as well as quality management.

1.4 RESEARCH, DEVELOPMENT AND INVESTMENT

Research and development is subdivided into the areas of Formula Development, New Products & Applications and Process Development. Although revenue generated from recently developed products (no older than three years) increased overall in the financial year under review, it failed to keep pace with the dynamic development of Group revenue as a whole. Therefore, the share of these “young products” in total revenue decreased in 2022.

As regards process and material development, the focus continued to be on implementing the investment programme aimed at raising efficiency and flexibility levels in line with corporate strategy. As regards the facilities at the Group headquarters in Kirn, for example, measures were implemented to renew sheet extrusion and pressing systems. In addition, investments were targeted at the expansion of capacity relating to solid rod extrusion.

At the Ringsheim plant for pipes and fittings, further investments were made for the purpose of expanding capacity and modernising production facilities. A new milling centre was commissioned in the plastics workshop, expanding the product portfolio and production capacity for large fittings. In pipe extrusion, capital expenditure was directed at capacity expansion with regard to large-diameter co-extruded pipes. In the area of injection moulding, the introduction of an additional 2,300-tonne system for the production of large fittings meant a further boost to capacity levels. Additionally, investments were made in tools to optimise cycle times and reduce production waste. At the same time, storage space was further expanded.

At the plant in Litvinov, Czech Republic, an area of 6,000 sqm was asphalted for the purpose of improving storage capacity and material handling. In addition, investments in environmentally friendly LED lighting and the replacement of gas-based systems with heat pumps have helped to improve energy efficiency.

At the plant in Jiangmen, China, construction work on a new production and logistics building was completed in the period under review, thus more than doubling local production capacity. In addition, a second extrusion line for the production of multilayer sheets used in the automotive industry was put into operation.

At the three plants in the Americas, meanwhile, production machinery was modernised and partly automated in an effort to increase efficiency and expand capacity.

In inaugurating a new administration and warehouse building, SIMONA Stadpipe in Norway completed a key investment project for further growth and improved R&D capacity. The building was constructed in accordance with the latest energy standards. For the energy supply, seawater and heat exchangers are used to reduce the building’s CO_2 emissions.

As regards product development, a number of innovations from various business lines were rolled out over the course of the year. Within the Industry business line, the portfolio of linings was extended to include SIMONA® PVDF-NK and SIMONA® ECTFE-NK. The new polyacrylonitrile (PAN) backing used here is particularly well-suited to composite structures that carry or transport acids thanks to its outstanding chemical resistance. When it comes to composite structures and linings, SIMONA® liner materials made of fluoroplastics are engineered to deliver a high degree of safety for the storage and transport of chemically aggressive media. In addition, SIMONA was granted the important FM4910 certification for PVC products from its plant in Jiangmen, China, which are used in the global semiconductor industry. In the Infrastructure business line, new PE 100 PSC RC-Line protective-jacket pipes with continuous leakage monitoring were introduced to the market. They are mainly used as drinking water and wastewater pipelines in water protection zones that need to be protected against contamination, e.g. from defective wastewater pipes. Among the other innovations were Safety Intelligence (SI) flange connections. They reliably connect pipes to create a watertight seal but can be detached from each other whenever needed. Meanwhile, within the cable conduits market segment of the Infrastructure business line, the range was extended to include ClearDuct™ cable conduits. They are easy to install and ensure damage-free insertion of high-voltage cables without prior removal of weld beads. In addition, the Infrastructure business line expanded its portfolio of pipes and special flanges capable of withstanding full-pressure loads. In the Advertising & Building business line, a stable and lightweight integral foam sheet was developed for design and construction applications. Its key properties include easy processing, a smooth and even surface, narrow thickness tolerances over the entire width and optimised mass per unit area.

The Group also reached an important milestone in the development of sustainable products as part of its sustainability strategy. SIMONA was awarded ISCC (International Sustainability and Carbon Certification) certification in 2022. ISCC is the first EU-accredited certification system for sustainability and greenhouse gas reduction that can be applied across the world to all types of biomass and biomass derivatives. The ISSC Plus product line was showcased at the K plastics trade fair. The product range initially includes PE pipes for the production of which ISCC materials are used in freely definable proportions. Customers can thus purchase products with a smaller carbon footprint, while meeting the exacting quality standards and accreditation requirements generally associated with products made from crude-oil-based raw materials.

Expenses attributable to research and development within the Group amounted to €5.9 million (previous year: €5.2 million). Expenses are mainly comprised of staff costs, material costs and depreciation of property, plant and equipment.

2. BUSINESS REVIEW

2.1 MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

The direction taken by the global economy in 2022 was heavily influenced by the war in Ukraine, which led to spiralling energy prices, disruptions to supply chains and waning consumer demand. As a result, the global economy weakened considerably over the course of the year. At 3.2 per cent, the global economy saw growth slashed by almost half in 2022 when compared to the figure for 2021 (6.1 per cent).

Based on initial estimates, the gross domestic product (GDP) within the eurozone rose by 3.5 per cent in 2022. Against the backdrop of the war in Ukraine and its repercussions, the macroeconomic situation in Germany was heavily affected by spiralling energy prices, material shortages, supply chain bottlenecks and surging inflation. Despite these circumstances, the German economy held up well, recording GDP growth of 1.9 per cent (2021: 2.6 per cent). Capital expenditure on plant and equipment, which is of key importance to SIMONA's business, also remained robust, rising by 2.5 per cent in the year under review. According to data published by the Kiel Institute for the World Economy (ifw), economic output in France (+2.5 per cent) and Italy (+3.8 per cent) rose at a faster rate than in Germany, while the economy in Spain expanded by 4.6 per cent.

Based on ifw analyses, economic output in the USA increased by 1.9 per cent compared to the previous year, mainly thanks to a strong final quarter. This was attributable primarily to the country's lower dependency on energy imports relative to many other industrialised nations as well as consistently strong private consumption and significant stockpiling by companies.

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China's economy continued to feel the adverse effects of the government's strict zero-covid policy in 2022, which triggered numerous lockdowns. This was compounded by a lacklustre property market. At 3 per cent, Chinese economic output grew at a more pronounced rate than many analysts had expected, but nevertheless fell well short of the government's declared target of 5.5 per cent.

Fuelled by pricing effects, revenue generated by the plastics processing industry in Germany increased by 12.6 per cent to €78.9 billion. At 19.7 per cent, revenue generated abroad increased at a faster rate than domestic sales revenue (+7.6 per cent). Revenue growth attributable to plastics used in the packaging industry was above average, while revenue from construction applications, technical components and consumer products saw below-average growth. The volume of plastics processed fell by 3 per cent to 13.6 million tonnes.

The year proved challenging for Germany's chemical-pharmaceutical industry. Production fell by 6 per cent year on year and one in four companies was making a loss, according to the German Chemical Industry Association (Verband der chemischen Industrie e.V. – VCI). This was attributable primarily to the energy crisis associated with the war in Ukraine and price hikes for raw materials and input products. At a global level, chemical production (excluding pharmaceuticals) is estimated to have grown by 1.9 per cent in 2022 according to preliminary projections, a significant decline compared to the previous year (6.7 per cent). In Asia, the world's largest chemical market, growth stood at 5.5 per cent, while the US market expanded by 4.0 per cent.

In addition to material-related shortages and disruptions to supply chains, the German Engineering Federation (VDMA) cited an increase in protectionism as a reason for the difficult year faced by Germany's machinery and plant engineering industry. Nevertheless, the industry is expected to see an expansion in production output by 1 per cent in 2022. Overall, the global mechanical engineering sector put in a solid performance against the backdrop of difficult macroeconomic conditions. The third quarter saw a broad improvement in the supply-side situation for some primary products. According to analysts at Oxford Economics, global machinery sales are likely to have increased by 3 per cent in 2022, adjusted for prices.

The principal federations representing the German construction industry anticipate a nominal decline of 5.1 per cent in revenue generated by the building sector in 2022. The main reason cited is greater reluctance on the part of private and public investors against the backdrop of surging prices and higher interest rates. Commercial as well as residential and public construction projects have been affected by the market downturn.

The global market for aircraft interiors continues to recover, even though the war in Ukraine and China's zero-covid strategy have again exerted downward pressure on global travel to some extent. Based on current projections, the market may be in a position to return to its pre-pandemic levels in 2024.

According to the Food and Agriculture Organisation of the United Nations, global fisheries and aquaculture production is expected to increase by 1.2 per cent to around 184 million tonnes in 2022. In this context, production from aquaculture, an area in which SIMONA plays an active role in the form of products used to equip fish farms, is expected to grow by 2.6 per cent, slightly below the long-term growth rate (3.7 per cent between 2015 and 2020). The latter is attributable mainly to high freight rates and reduced consumer purchasing power in the wake of high inflation.

2.2 COURSE OF BUSINESS – SIMONA GROUP

Sales revenue totalled €712.1 million in the 2022 financial year (previous year: €544.5 million), which represents year-on-year growth of 30.8 per cent. This was attributable primarily to higher sales prices, while sales volume stagnated at the previous year's level, contrary to expectations. Despite persistently strong competitive forces, the Group recorded revenue gains in all three sales regions. In addition, revenue generated by the UK subsidiary SIMONA PEAK Pipe Systems was fully consolidated for the first time in 2022. As a result, the Group performed well in excess of its revenue guidance of €590 to 610 million for the 2022 financial year, as presented in the previous year's Group management report.

Group earnings before interest and taxes (EBIT) rose to €54.1 million, thus advancing beyond the figure of €50.9 million posted for the previous financial year. The EBIT margin stood at 7.6 per cent. The decline compared to the prior-year figure (9.3 per cent) was attributable to the disproportionately large increase in revenue. In this context, the price-induced expansion in revenue was not sufficiently strong to fully offset higher procurement-related costs, as the Group was not in a position to pass on all additional costs. However, the EBIT margin was positioned at the upper end of the projected EBIT margin of 6 to 8 per cent. EBITDA rose from €69.5 million a year ago to €75.5 million at the end of the reporting period. This translates into an EBITDA margin of 10.6 per cent (previous year: 12.8 per cent), which is within the projected range of an EBITDA margin of 10 to 12 per cent. The decline in the EBITDA margin is attributable mainly to the faster pace of revenue growth and higher staff and other expenses as well as non-recurring pandemic-related government grants in the previous year.

At 11.4 per cent, Group ROCE was within the range targeted (10 to 12 per cent), but down on the prior-year figure of 13.3 per cent.

Overall, the Management Board is of the opinion that business developed more favourably than expected, given the uncertainties emanating from the macroeconomic arena.

EMEA

The region comprising EMEA saw sales revenue expand by 29.6 per cent to €456.9 million in the period under review (previous year: €352.5 million). Growth was driven by all business lines. In addition, revenue (€43.1 million) generated by the UK subsidiary SIMONA PEAK Pipe Systems was consolidated for the first time in 2022; excluding PEAK, the increase in revenue attributable to the EMEA region amounts to approximately 17.4 per cent. The EMEA region's share of total revenue was down slightly on the prior-year figure at 64.1 per cent (previous year: 64.7 per cent). EBIT generated within the EMEA segment fell from €29.8 million in the previous year to €19.2 million in the period under review, primarily as a result of higher costs for materials and energy as well as increased expenses relating to personnel and distribution.

Americas

The region encompassing the Americas saw revenue expand by 37.3 per cent to €207.1 million (previous year: €150.8 million). This was attributable to the recovery of the market for aircraft interiors. At the same time, the industrial products business proved to be very robust in the period under review. Significant growth also resulted from business in the market segments centred around interior fittings and caravans. Thus, the share of total revenues attributable to this region rose slightly from 27.7 per cent to 29.1 per cent. In the region covering the Americas, EBIT almost doubled again from €17.6 million in the previous year to €32.4 million in the period under review, fuelled mainly by an improvement in the gross profit margin as well as a less pronounced increase in costs. Ultimately, EBIT thus exceeded the pre-crisis figure.

Asia-Pacific

The Asia-Pacific region saw revenue expand to €48.1 million (previous year: €41.2 million) in the period under review. Growth was driven in particular by the Industry and Mobility business lines. Revenue generated in these areas more than compensated for the decline recorded in the aquaculture sector, which had benefited from buoyant project-related business in the preceding year. At 6.8 per cent, the region's share of total revenue was below that posted in the previous year (previous year: 7.6 per cent). Asia-Pacific recorded EBIT of €3.0 million (previous year: €3.5 million) in the period under review.

Revenues within the business lines

The Industry business line generated revenue of €266.0 million (previous year: €228.7 million), an increase of 16.3 per cent. The Advertising & Building business line achieved revenue of €111.3 million (previous year: €78.4 million; +41.9 per cent). The Infrastructure business line recorded a substantial increase in revenue, taking the figure to €122.3 million (previous year: €69.8 million; +75.2 per cent). This figure also includes revenue generated by the UK subsidiary SIMONA PEAK Pipe Systems Limited for the first time. The Mobility business line posted revenue of €70.6 million (previous year: €54.8 million; +28.8 per cent). The remaining revenues from various other fields of application and trade are summarised under "Others" and amounted to €141.8 million (previous year: €112.7 million).

Orders

Order backlog within the Group stood at €142.9 million as at 31 December 2022 (previous year: €159.3 million); of this total, a figure of €49.0 million (previous year: €48.5 million) was attributable to SIMONA AG.

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2.3 FINANCIAL PERFORMANCE

Group EBIT (earnings before taxes, interest and investment income) rose by 6.3 per cent, up from €50.9 million to €54.1 million. At 7.6 per cent, the EBIT margin was down on the figure of 9.3 per cent recorded in the previous financial year. The nominal improvement in Group EBIT was mainly due to the increase in gross profit, although the Group recorded a percentage decline in its gross profit margin when compared to revenue growth. This was attributable to higher procurement costs for raw materials. In addition, staff and other expenses relating to business activities were higher than in the previous year. Despite an increase in depreciation and amortisation, this led to a nominal improvement in EBITDA (earnings before interest, taxes, depreciation and amortisation) to €75.5 million (previous year: €69.5 million). This corresponds to an EBITDA margin of 10.6 per cent (previous year: 12.8 per cent). The return on capital employed (ROCE) fell from 13.3 per cent in the previous year to 11.4 per cent in the period under review, primarily as a result of the expansion in capital employed.

Gross profit (revenue, other income, change in inventories of finished goods and work in progress less cost of materials) rose by 23.4 per cent, up from €246.4 million in the previous year to €304.1 million in the period under review. The gross profit margin stood at 42.7 per cent, compared to 45.3 per cent in the previous year.

As in the previous year (€9.5 million), the income statement included an increase in inventories of €10.8 million.

Other income amounted to €6.6 million (previous year: €9.7 million); the prior-year figure had included income of €4.2 million from government grants in the Americas segment (Payroll Protection Program as part of the US government's covid-19 support initiative).

The cost of materials rose to €425.3 million (previous year: €317.3 million), fuelled primarily by the significant rise in commodity prices in the reporting period. Compared to the previous year, the cost of energy included in the cost of materials doubled by around €10.2 million to €21.1 million.

Staff costs stood at €113.4 million (previous year: €95.3 million), up 18.9 per cent on last year's figure. The change is attributable primarily to wage increases, the introduction of a partial retirement programme at the German sites, higher performance bonuses and the addition of new staff in the Americas and Asia-Pacific. Furthermore, the headcount in EMEA was up by 70 at the end of the year as a result of the acquisition of the British subsidiary SIMONA PEAK Pipe Systems.

Depreciation/amortisation and write-downs of property, plant and equipment, right-of-use assets under lease arrangements and intangible assets amounted to €21.5 million (previous year: €18.6 million). This includes depreciation of right-of-use assets under lease arrangements totalling €1.5 million.

Other expenses increased markedly year on year, up by 41.2 per cent to €115.2 million (previous year: €81.6 million). The year-on-year change is mainly the result of the revenue-induced increase in expenses for distribution such as freight, packaging, advertising and travel expenses (+€18.7 million) and higher operating costs (+€6.3 million). In addition, the item includes increased legal and consulting costs (+€1.3 million).

The increase in finance income by €4.9 million to €8.2 million is attributable primarily to hyperinflationary accounting applicable to Türkiye, equivalent to €4.8 million. Finance cost of €9.5 million (previous year: €5.2 million) includes €6.1 million in expenses from foreign currency translation (previous year: €4.1 million). In addition, interest expenses increased by €0.6 million to €0.8 million, primarily due to acquisition financing in respect of PEAK.

Taxes on income rose from €12.8 million a year ago to €15.8 million at the end of the reporting period. The Group tax rate stood at 29.7 per cent in the reporting period (previous year: 26.0 per cent). The change was mainly attributable to higher advance tax payments by SIMONA AG and in the Americas segment as well as the first-time inclusion of the subsidiary in the United Kingdom.

The individual sales companies operating within the segment encompassing EMEA recorded positive earnings in the period under review. The majority of subsidiaries achieved higher earnings contributions compared to the previous year, in some cases by a significant margin. An exception was the company undergoing liquidation in Russia due to the discontinuation of business operations in February 2022. The production company in the Czech Republic also saw its earnings increase year on year. In addition, earnings were boosted by SIMONA PEAK Pipe Systems in the United Kingdom, which was acquired in February 2022. The cost of materials in the EMEA region amounted to €301.4 million (previous year: €214.0 million) and rose at a slightly more pronounced rate in comparison to revenue growth. Both raw material and energy costs increased markedly in the period under review. At €75.7 million, staff costs were up 14.9 per cent on the previous year, mainly as a result of collectively agreed pay rises and the introduction of a partial retirement programme at the German sites as well as the first-time inclusion of SIMONA PEAK Pipe Systems. Other expenses rose to €79.0 million (previous year: €55.4 million).

EBIT attributable to the Americas doubled, as in the previous year, due to strong growth in all three units. This forward momentum came from strong growth in the industrial products business as well as the recovery of the aviation market. The cost of materials amounting to €107.9 million (previous year: €84.4 million) rose at a faster rate than sales volumes. Staff costs stood at €32.9 million (previous year: €25.2 million). At €30.8 million, other expenses were up by €7.8 million compared to the previous year, primarily as a result of selling expenses rising at a faster rate in relation to revenue growth.

The Asia-Pacific region recorded EBIT of €3.0 million (previous year: €3.5 million). The year-on-year decline in this region’s EBIT was due to higher foreign currency expenses. The sales companies operating in the Asia-Pacific region recorded increases in earnings compared to the previous year.

2.4 FINANCIAL POSITION

Total Group assets as at 31 December 2022 were €621.1 million, up on the prior-year figure (previous year: €508.5 million).

Changes to assets

The assets side of the balance sheet is mainly characterised by an increase in intangible assets, property, plant and equipment as well as inventories, while deferred tax assets were lower in the period under review.

Intangible assets totalled €96.2 million (previous year: €55.5 million) and mainly consisted of goodwill from the corporate acquisitions in the United States, Norway, Türkiye and the United Kingdom. This item includes an effect from hyperinflationary accounting in respect of Türkiye, equivalent to +€12.2 million. Goodwill recognised with regard to SIMONA PEAK Pipe Systems in the United Kingdom amounted to €17.7 million at the end of the reporting period. This item also includes additions to the customer base and other intangible assets from the acquisition of SIMONA PEAK in the amount of €13.1 million.

Property, plant and equipment totalled €176.8 million (previous year: €154.9 million) and include €0.5 million from hyperinflationary accounting in Türkiye. Group capital expenditure on property, plant and equipment totalled €34.3 million (previous year: €24.9 million). Depreciation and write-downs of property, plant and equipment stood at €17.2 million (previous year: €15.9 million).

Right-of-use assets relating to leases amounted to €8.6 million (previous year: €2.0 million). The increase is primarily attributable to the first-time inclusion of SIMONA PEAK Pipe Systems.

The reduction in deferred tax assets is mainly due to lower provisions for pensions.

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Inventories totalled €144.4 million (previous year: €120.9 million). Inventories of raw materials, consumables and supplies rose to €60.2 million (previous year: €57.2 million), primarily as a result of higher prices. Finished goods and merchandise increased from €61.4 million to €81.5 million due to higher volumes and prices.

Trade receivables rose by €6.5 million to €88.9 million.

Non-current and current other assets and tax assets totalled €29.5 million (previous year: €19.1 million). The increase is mainly due to higher income tax refund claims (€5.3 million).

As in the previous year, other financial assets amounted to €0.3 million.

As regards the change in cash and cash equivalents, please refer to the Notes relating to cash flows and cash and cash equivalents.

The derivative financial instruments recognised for the first time in the reporting period in the amount of €0.4 million include an interest rate swap to hedge fixed interest payments relating to acquisition financing for SIMONA PEAK Pipe Systems Limited.

Changes to equity and liabilities

The equity and liabilities side of the balance sheet was characterised by an increase in equity compared to the previous year. While non-current liabilities were lower year on year, current liabilities trended upwards.

Group equity at the end of the financial year stood at €376.4 million (previous year: €262.0 million). This figure includes annual profit of €37.4 million for 2022 and, contrary to this, the dividend payment of €9.7 million in the 2022 financial year. As a result of the remeasurement of pension provisions, in particular due to the sharp increase in the IFRS discount rate and the allocation of assets as plan assets (as presented in the disclosures on pension provisions on the following page), Group equity increased by €70.6 million without affecting profit or loss, of which €45.2 million was recognised directly in equity and €25.4 million was added to capital reserves.

The recognition of the call option for the outstanding interests in SIMONA Stadpipe AS, Norway, is recognised in equity in the amount of €10.2 million (previous year: €11.4 million), resulting in an equivalent reduction in equity. As regards the purchase contract for interests in SIMONA Stadpipe AS, a shareholder agreement was concluded in 2020 with the former shareholder, who continues to hold 25.07 per cent of the interests in SIMONA Stadpipe AS. The shareholder agreement includes the right to a put/call option in respect of the purchase of the remaining interests.

The equity ratio for the Group rose from 52 per cent to 61 per cent.

Non-current and current financial liabilities mainly include bank loans relating to the acquisition financing of PEAK Pipe Systems Limited in the amount of €43.0 million (of which €11.6 million current and €31.4 million non-current) with terms of five and seven years. In addition, this item includes short-term money market loans totalling €17.0 million.

At €49.5 million, non-current and current provisions for pensions are significantly lower than in the previous year (previous year: €135.7 million) due to the higher IFRS interest rate of 3.80 per cent (previous year: 1.21 per cent) and the allocation to plan assets (cf. Notes [27] and [28] in the IFRS Notes to the Consolidated Financial Statements).

Trade payables totalled €32.6 million (previous year: €34.3 million).

Current and non-current other financial liabilities amounted to €13.9 million (previous year: €14.5 million). This figure includes non-current liabilities from the option described above in the amount of €10.2 million relating to the acquisition of SIMONA Stadpipe AS, Norway, in 2020.

Other liabilities amounted to €23.8 million (previous year: €20.2 million) and mainly include payables to the workforce, liabilities relating to social security and tax liabilities as well as credit notes.

In total, non-current (€5.7 million) and current (€1.9 million) other provisions were up on the figure recorded in the previous financial year.

Investments

Group capital expenditure on property, plant and equipment totalled €34.3 million (previous year: €24.9 million). This mainly relates to investments in technical equipment as well as operating and office equipment at the production sites in Germany, the United States and Asia. Additionally, investments were directed at the expansion of the production plant in China. In total, net investments in property, plant and equipment amounted to €17.1 million at Group level (previous year: €9.0 million).

2.5 FINANCIAL MANAGEMENT AND CASH FLOWS

Principles and aims of financial management

Safeguarding the financial strength of the SIMONA Group is the primary goal of financial management. In this context, the most important aspect is to meet, to a sufficient degree, the Group's financial requirements relating to its operational business and its investing activities as well as debt service. Financial management is centrally organised within the parent company. To a large extent, SIMONA covers the liquidity required worldwide within the Group by means of intragroup funding via loans or similar arrangements. In addition, the Group has firmly agreed lines of credit. Excess cash resources are invested in the money or capital markets, either in euro or a foreign currency, by applying an approach that is optimised in terms of both risk and returns.

Financing analysis

Non-current financial liabilities relate to loans for the acquisition of SIMONA PEAK as well as the KfW loan; these liabilities rose by €31.4 million to €36.4 million as a result of borrowing. The loans to finance the acquisition of the aforementioned entity, based on both variable and fixed-interest agreements, have terms of five and seven years and have been taken out with several banks. The fixed-interest KfW loans have a term until June 2024; a total of €3.4 million was repaid as scheduled in the reporting year. Current financial liabilities amounted to €32.6 million at the end of the reporting period and encompass the short-term proportion of acquisition financing, the KfW loans as well as the short-term utilisation of variable-interest credit lines.

At the end of the reporting period the Group had undrawn lines of credit totalling €46.7 million (previous year: €36.7 million).

Cash flows

In the period under review the inflow of cash from operating activities (gross cash flow) was €40.3 million (previous year: €14.5 million). The year-on-year increase is attributable primarily to a slight rise in earnings, a less pronounced expansion in inventories compared to the previous year and lower trade receivables. The cash outflow from investing activities was €70.1 million (previous year: €39.8 million), of which €34.3 million was for investments in property, plant and equipment (previous year: €25.0 million) and €37.7 million (previous year: €15.4 million) for the acquisition of subsidiaries. The cash inflow from financing activities amounted to €41.2 million (previous year: cash outflow of €7.8 million) and was due mainly to borrowing for acquisition financing and the utilisation of short-term credit lines as well as, in the opposite direction, the outflow of the dividend and the scheduled repayment of KfW loans.

Cash and cash equivalents

The Group's cash and cash equivalents totalling €65.7 million (previous year: €54.1 million) mainly consist of short-term bank deposits. The inflow of €11.7 million (previous year: outflow of €31.3 million) was mainly due to the year-on-year increase in net cash from operating activities and the higher net cash from financing activities, which compensated for the more expansive cash outflow from investing activities. These changes are presented in detail in the statement of cash flows.

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Financial obligations
Current obligations included €33.0 million (previous year: €14.5 million) for contracts already awarded in connection with investment projects and €36.4 million (previous year: €37.0 million) in respect of purchase orders for raw materials.

Net finance cost
Based on finance income of €8.2 million and finance cost of €9.5 million, net finance cost amounted to -€1.3 million in the period under review (previous year: -€1.9 million). This includes the result from currency translation, which was €3.2 million in the period under review (previous year: -€1.0 million). Finance income includes €4.8 million relating to hyperinflationary accounting in Türkiye. Finance cost includes €6.1 million in expenses from foreign currency translation, of which €4.5 million is attributable to the Turkish subsidiary.

2.6 COURSE OF BUSINESS – SIMONA AG (SEPARATE FINANCIAL STATEMENTS)

SIMONA AG engages in operating activities, while also holding equity interests in various entities worldwide. The operational business activities of SIMONA AG reflect the fundamental structure of the SIMONA Group in respect of its organisational structure and workflows. In this context, the disclosures regarding the fundamentals of the company, the management system and macroeconomic and sector-specific conditions are applicable analogously.

SIMONA AG recorded revenue growth of 15.4 per cent in the period under review, taking the figure to €398.3 million (previous year: €345.2 million). The increase in revenue was attributable primarily to higher sales prices. By contrast, the sales volumes remained largely unchanged in the financial year under review. Thus, the company exceeded the revenue guidance of €295 to 305 million for the 2022 financial year, as presented in the previous year's Group management report.

Germany
Sales revenue in Germany increased by 13.8 per cent to €155.6 million (previous year: €136.7 million).

EMEA
The EMEA (Europe, Middle East and Africa) region saw sales revenue expand by 12.2 per cent to €206.0 million, up from €183.6 million in the previous year.

Americas
Revenue from sales in the Americas increased to €10.0 million (previous year: €7.0 million).

Asia-Pacific
The Asia-Pacific region recorded year-on-year revenue growth of 49.8 per cent, taking the figure to €26.7 million.

Revenues within the business lines
The Industry business line generated revenue of €154.4 million (previous year: €129.5 million), an increase of 19.2 per cent. The Infrastructure business line recorded an increase in revenue to €68.5 million (previous year: €58.5 million; +17.0 per cent). The Advertising & Building business line achieved revenue of €28.0 million (previous year: €27.1 million; +3.2 per cent). The Mobility business line posted revenue of €4.6 million (previous year: €4.7 million). The remaining revenues from various other fields of application and trade are summarised under "Others" and amounted to €58.1 million (previous year: €48.2 million). Sales revenue and services with subsidiaries amounted to €84.7 million (previous year: €76.8 million).

Earnings performance
SIMONA AG recorded a dip in earnings compared to the previous year. Earnings before interest and taxes (EBIT), calculated on the basis of IFRS, totalled €3.9 million (previous year: €14.4 million), while the EBIT margin stood at 1.1 per cent (previous year: 4.4 per cent). The target EBIT margin had been set at 3.5 to 5.5 per cent. EBITDA calculated on the basis of IFRS amounted to €5.6 million (previous year: €16.2 million). The EBITDA margin stood at 1.5 per cent, compared to 4.9 per cent for the same period a year ago (target of 4.0 to 6.0 per cent). At 3.0 per cent, ROCE (based on IFRS) remained below the prior-year figure of 13.3 per cent and fell short of the target of 6.0 to 7.0 per cent.

The decline in EBIT and EBITDA is mainly due to the slower growth in gross profit compared to the increase in revenue as a result of inflationary trends relating to raw materials and energy, higher staff costs and more pronounced other operating expenses. While the company's business performance in the 2022 financial year was satisfactory in respect of revenue growth, the direction taken by earnings fell short of expectations.

Reconciliation from IFRS to HGB of EBIT generated by SIMONA AG is mainly as follows:

in € million	2022	2021
EBIT under IFRS	**3.9**	**14.4**
Change in inventories	0.1	–0.1
Cost of materials	–4.2	–9.2
Staff costs (pensions)	1.2	3.3
Depreciation/amortisation/write-downs of intangible assets and property, plant and equipment	0.1	0.3
Other operating expenses	–1.2	0.1
Other changes	4.1	3.0
EBIT under HGB	**3.8**	**11.9**

2.7 REVIEW OF FINANCIAL POSITION, PERFORMANCE AND CASH FLOWS OF SIMONA AG (SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH HGB)

Earnings performance

Gross profit (sales revenue less cost of materials) amounted to €76.4 million, up by 5.4 per cent year on year. The gross profit margin fell from 21.0 per cent a year ago to 19.2 per cent due to the higher volume of revenues. The cost of materials of €321.9 million increased significantly by 18.0 per cent year on year, primarily as a result of higher raw material prices.

Other operating income totalled €3.9 million (previous year: €3.8 million). This figure includes gains of €3.6 million (previous year: €2.9 million) from currency translation.

Personnel expense amounted to €29.3 million, which was up 9.1 per cent on the prior-year figure. Staff costs (13.8 per cent) and social security contributions (5.7 per cent) were up on the prior-year figures, whereas pension costs decreased in the period under review.

Depreciation, amortisation and write-downs attributable to intangible assets and property, plant and equipment totalled €1.7 million (previous year: €1.5 million).

Other operating expenses rose from €35.9 million a year ago to €45.4 million in the period under review, an increase of 26.5 per cent. Selling expenses rose by €6.5 million, especially in the context of revenue growth, administrative costs were up by €1.7 million and expenses from currency translation increased by €1.4 million, whereas operating costs fell slightly.

In the previous year, the item "Reversal of write-downs of financial assets" included reversals of impairment losses relating to interests in SIMONA ASIA LIMITED, Hong Kong, in the amount of €5.3 million as well as reversals of impairment losses relating to loans to this entity in the amount of €6.2 million.

Interest and similar expenses totalled €2.2 million (previous year: €3.9 million) and consisted primarily of expenses relating to the unwinding of the discount, i.e. interest cost, of pension provisions (€1.4 million, previous year: €3.7 million) and interest expense from bank loans amounting to €0.5 million (previous year: €0.1 million).

The reduction in income tax expenses coincides with the decline in earnings.

Earnings before interest and taxes (EBIT), calculated on the basis of HGB, totalled €3.8 million in the period under review (previous year: €11.9 million), as a result of which the EBIT margin stood at 1.0 per cent (previous year: 3.5 per cent). EBITDA amounted to €5.5 million (previous year: €13.4 million). The EBITDA margin stood at 1.4 per cent, compared to 3.9 per cent for the same period a year ago. Profit after taxes amounted to €10.3 million (previous year: €23.3 million). The company's

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business performance in the financial year under review was characterised by a decline in earnings despite an increase in revenue. This was attributable primarily to a decline in the gross profit margin as a result of higher costs relating to raw materials, staff and distribution.

Financial position

Total assets attributable to SIMONA AG rose by €59.5 million to €352.2 million.

Non-current assets amounted to €224.9 million (previous year: €179.4 million), the increase mainly being attributable to the acquisition of interests in the subsidiary in the United Kingdom.

Property, plant and equipment amounted to €12.1 million (previous year: €12.3 million).

Interests in affiliated companies rose by €47.7 million. This includes the purchase of 100 per cent of the interests in SIMONA PEAK Pipe Systems, Chesterfield, United Kingdom.

Loans to affiliated companies, amounting to €32.0 million (previous year: €35.0 million), relate to subsidiaries in the Americas, Asia and Türkiye. While the subsidiary in Türkiye received €3.0 million in funding in the financial year under review, the company in the Americas repaid loans amounting to €7.3 million.

Inventories were up on the prior-year figure, rising from €21.4 million to €27.6 million. They include raw materials, consumables and supplies (€1.0 million) as well as finished goods and merchandise (€26.6 million). Inventories of finished goods and merchandise rose by €6.0 million compared to the previous financial year. While inventories of finished goods and merchandise increased nominally by €7.5 million, a higher LIFO markdown (+€3.3 million) led to an overall increase in the inventory figure.

Trade receivables rose by €3.3 million to €30.1 million due to more expansive business. Receivables from affiliated companies amounted to €37.4 million (previous year: €31.2 million) and included short-term loans and receivables from the delivery of goods. The increase is primarily due to higher deliveries of goods.

Other assets totalled €11.3 million (previous year: €6.9 million).

In total, receivables and other assets amounted to €82.3 million (previous year: €66.6 million).

Cash and cash equivalents fell from €24.7 million a year ago to €16.8 million at the end of the reporting period, a reduction of €7.9 million. This reduction is primarily due to net cash from operating activities and borrowings and, in the opposite direction, to the repayment of KfW loans, the outflow for the acquisition of the subsidiary in Türkiye and the dividend payment.

Equity and liabilities

SIMONA AG’s equity remains unchanged at €212.5 million. The equity ratio fell to 60 per cent (previous year: 73 per cent) due to the higher balance sheet total.

SIMONA AG pursues a policy of consistent dividend payments based on the performance of Group profit calculated in accordance with IFRS and an average dividend ratio that is stable over the long term. As in the past, the dividend payout is to be funded from free cash flow.

Provisions amounted to €55.6 million (previous year: €50.8 million). In total, allocations to provisions for pensions were expanded by €1.3 million compared to the previous year and stood at €44.6 million at the end of the reporting period. The discount rate fell to 1.79 per cent (previous year: 1.87 per cent). Other provisions totalled €10.9 million (previous year: €7.1 million). Tax provisions totalled €0.1 million (previous year: €0.5 million).

Liabilities to banks amounted to €65.0 million (previous year: €11.4 million). At the end of the year, this item included long-term loans relating to acquisition financing of the subsidiary in the United Kingdom and KfW loans, of which €3.4 million were repaid in the financial year under the terms of the contract, as well as the short-term utilisation of credit lines. At the end of the reporting period, SIMONA AG had undrawn borrowing facilities of €43.0 million (previous year: €29.0 million).

The predominantly variable-interest loans relating to acquisition financing have terms of five and seven years with quarterly repayments. A portion of the variable-interest loans has been hedged by means of an interest rate swap, as a result of which this portion is subject to a fixed interest rate in economic terms. The KfW loans are subject to fixed interest rates, with quarterly debt repayments scheduled under the terms of the agreement. The funds are used to finance long-term innovation programmes in Germany. The global credit facility is subject to interest at a variable rate plus a fixed premium calculated on an arm's length basis; they can be drawn down in euros or in a foreign currency.

Trade payables totalled €3.5 million (previous year: €2.8 million).

Liabilities towards affiliated companies amounted to €11.6 million (previous year: €11.1 million) and relate mainly to goods deliveries from the German production companies as well as the subsidiary in the Czech Republic.

Total liabilities rose by €54.7 million to €84.1 million.

Investments

Capital expenditure relating to property, plant and equipment at SIMONA AG amounted to €2.1 million in the period under review (previous year: €3.8 million). These are mainly investments directed at the modernisation of logistics in Kirn as well as capital expenditure on operating and office equipment at the sites in Germany. In total, net investments in property, plant and equipment (additions less write-downs) amounted to €0.7 million (previous year: €2.5 million).

Obligations from investment projects already initiated amounted to €2.4 million; they are financed from operating cash flow.

Analysis of liquidity

Cash and cash equivalents held by SIMONA AG at the end of the reporting period totalled €16.8 million (previous year: €24.7 million), comprising bank deposits denominated in euro and foreign currencies. The year-on-year decrease of €7.9 million is mainly due to the inflow of funds from operating activities and borrowings, as well as – in the opposite direction – the repayment of KfW loans, the outflow from the acquisition of the entity in the United Kingdom and the dividend payment.

2.8 NON-FINANCIAL INDICATORS

Customer satisfaction

SIMONA measures customer satisfaction as part of pan-European surveys. In addition, surveys of customers and target groups are conducted on an ad hoc basis in key markets outside Europe.

The last extensive customer satisfaction survey in Europe was conducted in 2020. Overall, customer satisfaction improved further from a high base to 87.9 per cent (2017: 86.1 per cent). The rate of recommendation also increased to 89.3 per cent (2017: 87.4 per cent). Compared to the last survey, satisfaction levels were higher in respect of all product and service categories. The most significant improvements were achieved with regard to the training programme, the website and the handling of complaints. SIMONA has been working consistently on these offerings and services. This illustrates the importance of the customer survey as a basis for improvements in the Group's product and service offering. At the same time, it shows the measures introduced have helped to raise customer satisfaction levels. The next customer satisfaction survey is scheduled for 2023.

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In addition, specific customer satisfaction surveys were conducted in local markets. Satisfaction with the training courses offered by SIMONA is also surveyed on a regular basis. In this context, satisfaction with training courses was maintained at a high level in the financial year under review.

Employees

As at 31 December 2022, the SIMONA Group employed 1,734 people (previous year: 1,549). The headcount rose significantly compared to the previous year's figure as a result of the acquisition of the UK-based company SIMONA PEAK Pipe Systems (70 employees) and new hires at the European and international production sites. Buoyant demand for SIMONA products since the onset of the pandemic necessitated the expansion of production capacity and, in conjunction with this, the recruitment of additional production staff.

The headcount of the German entities of the SIMONA Group (SIMONA AG and the two production companies in Kirn and Ringsheim) was also up year on year; for the reasons outlined above it stood at 840 at the end of the year (31 December 2021: 815).

SIMONA was unable to maintain the very high number of vocational trainees seen in recent years, despite its best efforts in the form of targeted trainee marketing and the extensive digitalisation and acceleration of selection processes. Demographic change has become increasingly evident when it comes to the overall number of applicants. In 2022, a total of 57 young talents were undergoing training at SIMONA's sites in Germany (previous year: 60). They are completing an apprenticeship in one of the twelve technical and commercial fields of vocational training or taking part in one of the two dual work-study courses on offer. In 2022, 16 SIMONA employees were enrolled in an integrated/dual work-study degree course supported by SIMONA or sponsored training to become a state-certified technician or Meister (master craftsperson) – or to receive a Bachelor's degree.

The majority of SIMONA sites around the world were again affected by the covid-19 pandemic in the first half of 2022 and had to combat the spread of the virus with a range of organisational and preventative measures that often changed as the pandemic evolved. These measures proved effective in the period under review, as evidenced by the fact that infection levels again remained manageable in 2022. The efforts were complemented by company vaccination campaigns at the individual sites, which were very well received by the workforce. For all staff members whose workplace allows this, mobile working was again one of the predominant approaches specified at the beginning of 2022. In mid-2022, SIMONA concluded a company agreement at its German sites that allows employees in office-based positions to work up to 50% of their working hours in mobile structures.

Despite the restrictions caused by the pandemic and significant workloads due to full order books and distortions within the commodity markets, measures aimed at achieving the Group's strategic goals were further implemented at all levels, which included the area of human resources. For this purpose, leadership workshops with external trainers were held for supervisors in the production units at both German sites. They are designed to help senior staff react adequately as a management team even when confronted with difficult situations.

Employees around the globe received further training with regard to project management and professional presentations. In addition, the Group organised targeted personal training sessions on the basis of annual staff appraisals as well as individual coaching sessions in support of manager leadership.

SIMONA conducted its first global employee satisfaction survey for all employees of the SIMONA Group in autumn 2022. Topics such as HR activities in the company, the working atmosphere, satisfaction with one's own job and stress-inducing factors were surveyed on a digital basis as part of an extensive questionnaire. Half of the employees participated in the survey. In addition to revealing an exceptionally high level of loyalty to the company, the survey also outlined fields of action in which the company is keen to improve. As part of a global process, measures are now being drawn up to specifically raise the level of staff satisfaction.

Participants for the fourth generation of the Leadership Circle (previously the Talent Promotion Circle) were nominated by line managers in 2022 and selected by the Global Management Team. At the beginning of 2023, the course programme will kick off with a focus on communication and conflict as well as intercultural skills, management and sustainability. The SIMONA Leadership Circle prepares high potentials for professional and managerial roles as part of a modular, 18-month training programme. Employees from Europe, the United States and Asia participate in the programme, with training taking place at various global sites within the SIMONA Group. The aim is to develop the intercultural skills of those taking part in the programme, in addition to focusing on specialist topics. At the same time, the young professionals are given the opportunity to establish an international network.

Quality

The goal of SIMONA's quality management system is to maintain and optimise product and process quality on a continual and sustainable basis. In this context, meeting the requirements of DIN EN ISO 9001 and the Pressure Equipment Directive 97/23/EC is an essential prerequisite, and full compliance with these standards was confirmed by independent surveillance audits conducted in 2022. As in previous years, customer and market requirements increasingly led to specific product accreditations. This resulted in several audits as part of which we were able to prove to external auditors the efficacy of the SIMONA management system as well as the exceptionally high quality of our products and processes.

Information technology

The Information Technology department has initiated an organisational realignment with the aim of evolving into a global IT service organisation. The new organisation operates on the basis of standardised IT processes to ensure a quantifiable contribution to value creation by IT in line with business requirements.

In the context of the overall IT strategy, the focus is both on preparing for SAP S/4HANA migration and on gradually enhancing IT security. In particular, considerable efforts were made in the area of IT security in 2021 to counter potential new threats. These efforts were pursued with the same level of intensity in 2022.

With a view to modernising and further standardising the IT infrastructure, the company initiated the global roll-out of Microsoft Office 365 cloud technology.

3. REPORT ON OPPORTUNITIES AND RISKS

The war in Ukraine has exerted downward pressure on growth in all regions worldwide, while also driving inflationary trends and causing disruptions to commodity markets and supply chains. Due to a high level of uncertainty and the resulting lack of investor confidence, the propensity to invest in the industries served by SIMONA has declined worldwide, but nevertheless remains relatively stable. The short- and medium-term trajectory with regard to opportunities and risks continues to be influenced by geopolitical conflicts, high inflation and distortions within the commodity markets.

Elevated and volatile commodity prices and a lack of investment against the backdrop of global uncertainty as to future industrial demand are to be seen as the most serious risks in 2023, regardless of whether a recession can be avoided in the majority of established economies, as recent forecasts suggest. The debate surrounding the environmental impact of plastics, particularly in Europe, may have a negative effect not only on business but also on the recruitment of skilled personnel. Critical views surrounding the issue of CO_2 emissions in the aviation industry could have a detrimental effect on the market for aircraft interiors in the long term.

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Opportunities continue to arise from the use of plastics as a sustainable and cost-effective alternative to heavier or non-recyclable materials. Plastics can thus be deployed for the purpose of reducing CO_2 emissions or enabling the treatment of drinking water or the transport of renewable energies over long distances. These areas of application call for highly functional plastics with customised properties. SIMONA's strategy is aimed at continuously evolving product characteristics from a technological perspective by leveraging its in-house R&D capabilities, in addition to extending its portfolio of materials. This also includes the development and market launch of products that help to reduce CO_2 and/or promote a circular economy.

In EMEA, strategic projects aimed at raising the level of efficiency and competitiveness and enabling further growth are already bearing fruit. SIMONA's application-oriented organisation centred around business lines is focused on unlocking growth relating to mega trends in the fields of energy and water supply, food, construction and mobility. The acquisition of SIMONA Stadpipe in Norway underpins efforts to tap global growth in aquaculture applications. In acquiring SIMONA PLASTECH in Türkiye, the Group has extended its product range for building and advertising applications, the aim being to cement the company's position in this market segment. The acquisition of SIMONA PEAK Pipe Systems has enhanced the product portfolio and strengthened the company's position in the market for infrastructure applications in EMEA.

In the Americas, meanwhile, SIMONA is in a position to expand its product range tailored to the exacting design standards of aircraft interiors for the purpose of targeting additional fields of application. Owing to the recovery in air travel, opportunities in the core market of aircraft interiors have improved. Thanks to numerous product developments, SIMONA also sees good potential in the United States within the market for outdoor plastic furniture, boat building and bathroom interiors. In the medium term, the region encompassing the Americas also offers opportunities within the area of pipes and fittings.

In the region covering Asia-Pacific, SIMONA sees good opportunities with regard to key technologies centred around environmental management, semiconductors and chemical processes as well as aquaculture.

Overall, SIMONA is of the opinion that the potential for opportunities remains at a good level. Compared to the previous year, the medium- and long-term opportunities for SIMONA's business remain fundamentally unchanged. The future impact of geopolitical conflicts cannot be reliably predicted.

Risk management system

In view of their global business activities, both SIMONA AG and the SIMONA Group are exposed to a wide range of risks. In this context, risk is defined as an event, an action and/or the failure to act with the potential for adverse effects on the company. Risk strategy is an integral part of the corporate strategy of SIMONA and coexists alongside the business strategy. SIMONA's risk culture is characterised by risk awareness in respect of decision-making and actions based on the principles of prudent management. In identifying opportunities at an early stage and applying diligence with regard to the exposure to corporate or business risks, SIMONA endeavours to safeguard its existence as a going concern and protect its enterprise value. Risk controlling is aimed at avoiding, mitigating or transferring risks. All remaining risks are managed accordingly by SIMONA. Risks are communicated as part of half-yearly risk reports to the Management Board and the Supervisory Board.

The risk management system includes the full range of guidelines and measures required to identify risk and to manage risk associated with commercial operations. The policies, the structural and procedural organisation as well as the processes of the internal control and risk management system operated in respect of financial reporting have been incorporated in guidelines and organisational instructions. They are revised regularly to account for the latest external and internal developments.

On the basis of a risk map, the risk management system of SIMONA controls the risks considered to be material with regard to the Group. The management of opportunities and risks is centred around the aspects of effect and probability of occurrence. Material individual risks are considered to be those displaying a considerable risk profile with an expected value in excess of €5.0 million in terms of damage caused when viewed over the medium term. The expected value is computed as the product of the effect/impact and the probability of occurrence; it is used solely for prioritising and focusing risk reporting on fields of risk that are of material importance. A probability of occurrence of over 50 per cent is considered high, while one of less than 50 per cent is deemed low.

Identified risks are assessed in terms of their probability of occurrence and potential impact on the Group's risk-bearing capacity. As part of a stress test scenario, risk aggregation is conducted on the basis of the expected value of the individual risks recorded in the risk inventory, which also involves a review of possible interdependencies. In this context, the maximum risk potential determined with regard to risk-bearing capacity is set in relation to the available cash (available cash plus unused credit lines) and equity. In addition, the Group's potential debt capacity is used to assess its risk-bearing capacity.

SIMONA considers the following individual risks to be material:
- Macroeconomic and sales market risks
- Business strategy risks
- Financial risks
- Risks attributable to procurement and purchasing
- Investment risks
- Risks attributable to information technology

Unless otherwise stated, the aforementioned risks affect all segments and business lines to varying degrees.

Macroeconomic and sales market risks

The risks associated with the general business environment and the sector in which the company operates relate mainly to the economic performance of customer segments served by SIMONA. They also include geopolitical conflicts and the availability of raw materials. Among the primary sector-specific risks are the substitution of plastics with other materials, new developments within the competitive environment, the loss of key customers and changes to customer requirements. A diversified product portfolio, thorough monitoring of markets and structured procurement management provide the basis for risk mitigation. Benefiting from global production at multiple sites, including plants in the United States, China and the Czech Republic as well as newly acquired companies in Norway, Türkiye and, most recently, the United Kingdom, SIMONA is able to ensure a high degree of diversification and flexibility. At the same time, the Group can meet customer requirements in close proximity to their sites of operation and in a market-driven manner.

Geopolitical risks have reached an unprecedented level due to the war in Ukraine and the heightened tensions between the United States and China. In the EMEA segment, risks relating to the environment and industry are being fuelled by the war in Ukraine and the associated surge in energy prices as well as disruptions to supply chains. In the Americas, meanwhile, risk exposure will be influenced – particularly in the medium term – by the economic and political stance assumed by the United States, inflationary trends and movements in the US dollar exchange rate. In the Asia-Pacific segment, the principal risks are attributable to future political and economic relations between the United States and China.

As regards the aspect of changes to sales markets, the decline in revenue in the medium term is projected at approx. €10.0 to 25.0 million, with a probability of occurrence of under 50 per cent. This would lead to a corresponding strain on earnings of €1.0 million to €2.0 million.

Business strategy risks

They include, in particular, the heightened risk – especially compared to the previous year – of misjudging future market developments; these risks are estimated to result in revenue shortfalls of around €15.0 to 25.0 million (previous year: €5.0 to 10.0 million). The potential strain on earnings thus amounts to €1.0 million to €2.0 million. Measures aimed at risk prevention mainly include close monitoring of the market and competitive environment as well as regular strategy meetings with key accounts and between the company's senior management and sales organisation. The probability of adverse effects occurring from exposure to business strategy risks is at present considered to be under 50 per cent.

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Financial risks

These encompass, above all, currency risks, market price risks, exposure to variability in cash flows and default risks, including risks associated with voidability of insolvency, risks of a change in interest rates and risks associated with the company pension scheme.

The principal aim of risk management is to mitigate risks attributable to ongoing operating and finance-related transactions. Depending on the risk, the aim is to restrict individual risks as required by means of derivative financial instruments and non-derivative hedging instruments.

Dependence on the euro within the Group was scaled back further through the corporate acquisitions in recent years as well as the expansion of production and the company's market position in the United States. However, the USD currency risk for SIMONA continues to be significant. In addition, risk associated with currencies has increased significantly due to the substantial volatility of the Turkish lira, which is of relevance following the corporate acquisition in Türkiye. In the medium term, the probability of occurrence of a dilutive or accretive effect on earnings equivalent to €4.0 to 6.0 million is estimated at over 50 per cent with regard to currency risk.

The risk of bad debts and insolvencies is extremely high against the backdrop of economic developments. In this context, thorough assessments of credit ratings and continuous monitoring within this area help to mitigate risk as a whole as well as risk associated with individually identifiable items. At €1.5 million, the potential risk mainly corresponds to the value of receivables of SIMONA AG in the EMEA segment that are more than 60 days overdue and whose carrying amounts have been adjusted. Default-related risk associated with specific customers is limited by credit insurance and the cut-off of deliveries in the case of outstanding payments. In February 2022, deliveries to Russia were discontinued throughout the Group in response to the war in Ukraine. Receivables from customers in Russia and Ukraine were written down. In addition, there are latent risks with regard to voidability of insolvency, which are covered by appropriate insurance. Inventories are reviewed on a regular basis and adjustments to carrying amounts are regularly made for individual unsaleable products, including inventories for Russian and Ukrainian customers. Insofar as a default by the customer can be assumed, customised products are accounted for as impaired or, where appropriate, reclassified.

Interest rate risks have increased significantly. The short-term, variable-interest overdraft facilities utilised by SIMONA AG are exposed to heightened interest rate risk. The interest on the long-term financing of the acquisition in the UK is based on both variable and fixed rates, with a portion of the variable interest being hedged in the form of an interest rate swap. KfW funds are subject to interest at fixed rates and are therefore not exposed to interest rate risk. Interest rate risks are estimated at around €0.5 million, with a probability of occurrence of 50 per cent.

The risks associated with occupational pension schemes are considered to be significant and the probability of their occurrence is deemed to be high. Risks that are difficult to gauge in the long term, such as future interest rates and future levels of pay and pensions as well as risks relating to higher life expectancy, have been categorised as material. The risks from pension obligations that may result from a change in the aforementioned parameters of +/-0.5 per cent cumulatively amount to approximately €30.0 to 45.0 million, which would have to be accounted for primarily in the Statement of Comprehensive Income (OCI). They also include risks or encumbrances that are difficult to predict with regard to liquidity and equity, risks associated with investments and volatility of plan assets as well as fluctuating costs in respect of contributions to the German Pensions-sicherungsverein. The volatility of plan assets is estimated at around €5.0 to 18.0 million, which is attributable primarily to the share performance of SIMONA AG stock in recent years. Plan assets were higher at the end of the year. SIMONA AG shares were up €5.0 million year on year.

Risks attributable to procurement and purchasing

Risks attributable to procurement and purchasing are related primarily to potential disruptions or outages with regard to suppliers of raw materials and additives as well as volatile price trends within the markets for raw materials. The direction taken by input commodities (naphtha, propylene and ethylene) that are of relevance to raw materials used by the company does not necessarily coincide with the price trend for crude oil. The various prices of raw materials, especially commodities, deviated markedly during the year under review. However, supply chains were exposed to additional risks in the 2022 financial year due to the war in Ukraine.

The energy market came under considerable price-related pressure in the reporting year and especially in the period from June to December 2022, with four- to fivefold hikes in energy prices in some cases when compared to previous years. Against the backdrop of a turbulent year in the European energy industry, environmental and climate protection issues, increasing digitalisation and the growing demand for renewable energy had a significant impact on the industry as a whole. In the meantime, energy price trajectories have returned to a more moderate level, but are still trending higher at a rate of between 20 and 25 per cent. In Germany, laws aimed at limiting electricity and gas prices helped to address the issue of market sensitivity and uncertainty.

As many companies have reduced their purchasing volumes in response to waning demand, the pressure on suppliers eased, resulting in noticeably shorter delivery times. This in turn alleviated the need for substantial safety stock and helped to reduce demand for input materials. Global supply chains have now stabilised and freight costs for overseas shipments have fallen again. In addition, commodity prices stabilised, albeit at a higher level, having previously been fuelled by substantial price increases due to supply-side shortages and the risk of war at the beginning of 2022.

In mid-October 2022, the German government projected a contraction in the economy by 0.4 per cent in 2023. According to the Annual Economic Report, the slowdown in economic momentum at the turn of the year 2022/23 should be shorter and milder than had previously been expected in autumn. In this context, the report cited government stabilisation measures for private households and companies as well as adjustments in line with spiralling energy prices, together with associated savings of gas, as contributory factors. However, considerable strains remain, such as the war in Ukraine together with its economic repercussions and the general malaise of the global economy as well as persistently high energy prices and inflation rates compared to pre-crisis levels.

A 10 per cent increase in raw material prices that cannot be passed on to the sales market would result in an increase in raw material costs – and thus a strain on earnings – of around €10.0 million. The probability of occurrence is currently estimated at 50 per cent.

Investment risks

Investment risks mainly include the risk of malinvestments relating to machinery as well as foreign investments, exposure to which has increased due to the company acquisition in Türkiye. Potential investment risks are therefore currently estimated at around €15.0 to 25.0 million (previous year: €10 million to €15 million) with a probability of occurrence of over 50 per cent.

Risks attributable to information technology

Ongoing monitoring and optimisation of existing information technology are essential to the safety and reliability of business processes. With this in mind, refinements to measures already implemented within the area of information security are considered particularly important. The primary risks involved relate to the availability, reliability and efficiency of information technology systems, including a failure of the IT infrastructure, loss of data and attacks on IT systems. SIMONA addresses risks relating to information technology through its in-house IT department as well as by commissioning specialised companies and making regular investments in the latest hardware and software. SIMONA responds to growing demands placed on system protection as part of its safety management programme. This mainly includes investments in the latest firewall and antivirus systems as well as other software systems. In addition, following a penetration test conducted and evaluated by a specialised company in the previous year, appropriate security measures were implemented in the period under review. Due to heightened risks from external attacks by hackers, a possible loss in revenue due to a temporary system failure is estimated at around €12.5 million, while associated costs are estimated at around €2.0 to 3.0 million. Thus, the potential impact on earnings is €3.0 to 4.0 million. The probability of occurrence, especially through external attacks on

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IT systems, has continued to increase significantly and is estimated at over 50 per cent.

As part of a stress test scenario, a review revealed that the risk-bearing capacity at the level of the SIMONA Group is adequate.

At the end of the 2022 financial year, we are of the opinion that the overall risk situation for the Group has deteriorated compared to that of the previous year. In particular, the medium- and long-term effects of the war in Ukraine as well as those relating to inflationary trends are not yet foreseeable. At the time of preparing this report, there were no identifiable risks that might jeopardise the existence of the SIMONA Group and SIMONA AG as a going concern.

Accounting-related control system (ICS) and risk management system (RMS) – Report pursuant to Section 289(4) and Section 315(4) HGB

The internal control system relating to financial reporting, which implements specific controls with regard to the financial reporting process, is aimed at providing reasonable assurance that annual financial statements and consolidated financial statements can be prepared in accordance with statutory requirements despite possible risks.

The ICS encompasses accounting-related processes and controls that are of significance to the preparation of the separate and consolidated annual financial statements. In this context, the SIMONA Group observes the relevant publications issued by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer – IDW). There were no significant changes to the accounting-related ICS in the period between the end of the reporting period and the preparation of the management report.

As regards financial reporting and the accounting process, we consider those elements to be of significance to the internal control and risk management system that may potentially influence financial reporting and the overall assessment of the separate and consolidated financial statements, including the management report. This mainly includes the following elements: Measures that safeguard the appropriate IT-based preparation of items and data of relevance to financial reporting. In addition, we monitor commodity price trends for the accounting-related control of procurement and sales prices within the context of price management.

Bookkeeping and financial statement preparation are performed primarily at a decentralised level in accordance with local standards. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). In this context, SIMONA applies a uniform system of accounts within the Group and an accounting manual. The parent company assists the respective entities with regard to issues relating to financial reporting and coordinates the process of Group financial reporting at a centralised level. All entities included within the consolidated group have been integrated within this system by means of clearly defined management and reporting structures. The inclusion of subsidiaries is managed with the help of standardised reporting packages and a consolidation system certified in accordance with IDW PS 880 – in accordance with the certificate dated 9 December 2021 for programme version 2021.1, to which the fully consolidated subsidiaries are directly connected. Consolidation is performed as a multi-stage process at the level of subsidiaries, segments and the Group. External management and financial reporting is prepared using a software module interfacing directly with the consolidation system.

The plausibility of numerical data is safeguarded at all levels by means of system-specific and automated validation and through manual controls. Clearly defined areas of responsibility and access policies in respect of IT systems of relevance to the preparation of financial statements form an integral part of this process. Fundamental control policies applicable to the annual and consolidated financial statements include the separation of duties, the two-person rule and approval and release procedures for the process of financial statement preparation. Overall responsibility for the accounting-related internal control systems rests with the Management Board.

Appropriateness and effectiveness of the overall internal control and risk management system[1]

The internal control and risk management system also includes a Compliance Management System (CMS) aligned with our risk situation. The statutory reporting obligations in respect of the internal control system (ICS) and the risk management system (RMS) are limited to the essential features of the system with regard to the accounting process in accordance with Section 289(4) and Section 315(4) HGB. The systems actually implemented go beyond the accounting process and also address purely operational risks in respect of business processes and, to an increasing extent, include sustainability-related aspects. This applies both to SIMONA AG and to the SIMONA Group as a whole.

The Management Board of SIMONA AG is responsible for establishing the internal control and risk management system. In addition, the Management Board assesses the appropriateness and effectiveness of the entire internal control and risk management system at the end of each financial year. Based on regular reports from the departments and functions responsible for the system as well as audits conducted by the Internal Audit department, the Management Board has no indications that would give rise to an assessment that the internal control system and the risk management system, which comprise a compliance management system aligned with the company's risk situation, were not appropriate or effective in their respective entirety.

4. REPORT ON EXPECTED DEVELOPMENTS

The outlook for the global economy brightened somewhat at the beginning of 2023. The prospects for growth have been dampened by a number of factors, among them uncertainty in the wake of geopolitical conflicts – first and foremost the war in Ukraine and tensions between the United States and China –, high inflation and supply chains that, while improving, continue to show signs of disruption in many individual markets. Added to this is a lack of consumer confidence. On a more positive note, however, recent forecasts issued by the IMF and the European Commission suggest that the established economies may avoid recession.

In its January publication, the International Monetary Fund raised its growth forecast for the global economy to 2.9 per cent, up 0.2 percentage points compared with October 2022. The IMF assumes that inflation has peaked and that the risks from geopolitical conflicts will be slightly less pronounced. As regards the eurozone, the IMF has forecast growth of 0.7 per cent for 2022. The economy in Germany is projected to grow by 0.1 per cent, France by 0.7 per cent, Italy by 0.6 per cent and Spain by 1.1 per cent. By contrast, economic output in the United Kingdom is expected to decline by 0.6 per cent. The world's largest economy, the USA, is likely to expand by 1.4 per cent. The IMF has raised its forecast for China by a significant margin, primarily in response to the government's decision to abandon its strict zero-covid strategy and the reopening of its economy. Economic growth in China is forecast at 5.2 per cent, 0.8 per cent higher than in the October 2022 outlook.

As regards the German chemical sector, the industry association VCI predicts little improvement in 2023, particularly against the backdrop of considerable uncertainty, the ongoing energy crisis, lacklustre earnings, declining industrial production and more intense pressure on imports. Thus, the VCI expects a further "significant decline in production" for Germany. As regards global chemical production (excluding pharmaceuticals), the VCI anticipates a slight increase in production of 0.4 percent. Turning to the eurozone, the IMF has forecast growth of 1.6 per cent.

Germany's mechanical engineering industry is looking ahead to 2023 with cautious optimism. The industry association VDAM expects a slight decline in production of 2 per cent and describes the situation as "robust". In particular, the goal of achieving a climate-neutral economy is considered a tremendous opportunity for medium-sized mechanical and plant engineering enterprises and their innovative technologies. At a global level, VDMA and Oxford Economics Limited have forecast a 1 per cent increase in sales revenue within the mechanical engineering sector for 2023.

The main association of the German construction industry anticipates a significant decline in revenue of 6 per cent in 2023. At -9 per cent, revenue generated in the area of residential construction is expected to fall more sharply than in the segments of commercial construction (-4 per cent) and public-sector construction (-5 per cent).

[1] The disclosures in this section do not form part of the management report and are not subject to the substantive audit by the auditors PwC.

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The global aircraft interiors market is forecast to grow at an average annual rate of 18 per cent from 2023 to 2026. The “Seats” submarket, which is the most important for SIMONA’s business, is projected to grow by 22 per cent, which is slightly above average.

The market for aquaculture is also likely to see an expansion in production in 2023, while the capture fisheries industry is expected to trend sideways.

Sector-specific conditions

The industry association GKV anticipates a difficult year for the plastics processing sector in 2023, dominated by strained profits, a shortage of skilled workers and high energy costs. According to a survey among member companies, 23 per cent expect declining sales revenues and 34 per cent anticipate a downturn in operating profit.

Future performance of the Group

SIMONA anticipates that Group revenue for the 2023 financial year will be between €650 and 675 million, while the EBIT margin is expected to be between 6 and 8 per cent and the EBITDA margin between 10 and 12 per cent. At Group level, the return on capital employed (ROCE) in 2023 is expected to be between 10 and 12 per cent.

The revenue forecast takes into account a reduction in sales prices in response to a downward trend in material costs as well as lower demand in the EMEA region. The effects of the ongoing war in Ukraine and the more pronounced geopolitical tensions between the Unites States and China may pose a further risk to business development.

The Group’s ability to achieve its bottom-line performance target will mainly depend on the direction taken by its gross profit margin against the backdrop of more intense competitive forces and waning demand.

Based on these macroeconomic assessments, the management expects a decline in revenue and a stable earnings performance. This assessment is underpinned by data relating to order intake and order backlog.

Customer satisfaction

SIMONA anticipates that it will be able to maintain customer satisfaction at the high level achieved to date, benefiting from its broader expertise gained in the fields of application of relevance to its customers. This is a tribute to the new business line structure as well as the pursuit of greater end-user orientation.

Quality

As part of the company’s quality management measures, SIMONA has set itself the same ambitious targets for product quality as in the previous year and assumes that it will be able to reach this level.

Employees

The number of people employed within the SIMONA Group is expected to remain at a constant level in 2023. The headcount of vocational trainees will decrease slightly compared to the previous year due to a reduction in the number applicants.

Future performance of SIMONA AG

Calculated on the basis of IFRS, revenue for the 2023 financial year is expected to be between €300 and 310 million, while the EBIT margin is projected to be between 1.0 and 3.0 per cent and the EBITDA margin between 1.5 to 3.5 per cent. The return on capital employed (ROCE) is expected to be between 2.0 and 3.0 per cent.

Business in the sales region of Germany is likely to be challenging against the backdrop of a weakening economy and declining revenue. Our assumption is that this will also apply to the entire EMEA region. In the Americas and Asia-Pacific, by contrast, economic conditions are expected to be more stable – producing slight growth compared to Europe. As in the case of the Group, the earnings trajectory depends heavily on the direction taken by the gross profit margin within a weaker economic environment.

5. OTHER INFORMATION

5.1 Corporate governance statement

The corporate governance statement pursuant to Section 289f and Section 315d of the German Commercial Code (Handelsgesetzbuch – HGB) has been published by SIMONA AG on its corporate website at https://www.simona.de/en/company/investor-relations/corporate-governance/corporate-governance-statement-including-corporate-governance-report/.

5.2 Compensation report

The compensation report governed by the provisions set out in Section 162 of the Stock Corporation Act (Aktiengesetz – AktG) has been published by SIMONA AG on its website at https://www.simona.de/en/company/investor-relations/corporate-governance/compensation-report/.

5.3 Disclosures pursuant to Section 289a and Section 315a HGB and explanatory report

As at the end of the reporting period, the share capital of SIMONA AG remained unchanged at €15,500,000, divided into 6,000,000 no-par-value bearer shares ("Stückaktien" governed by German law). The shares are traded in the General Standard of the German stock exchange in Frankfurt as well as on the Berlin securities exchange. There are no different categories of share or shares furnished with special rights. Each share is equipped with one vote at the General Meeting of Shareholders. In view of the fact that a shareholder's right to a certificate of ownership interests has been precluded under the company's Articles of Association, the share capital of our company is represented only in the form of a global certificate, which has been deposited with Clearstream Banking AG, Frankfurt am Main. Therefore, our shareholders will in future only have an interest as co-owners in the collective holdings of the no-par-value shares in our company, as held by Clearstream Banking AG, according to their interest in the company's share capital.

31.19 per cent of the interests are held by Dr. Wolfgang und Anita Bürkle Stiftung (Kirn), 15.04 per cent by Kreissparkasse Biberach (Biberach), 11.64 per cent by Dirk Möller (Kirn), 11.42 per cent by Rossmann Beteiligungs GmbH (Burgwedel), 11.25 per cent by Regine Tegtmeyer (Nebel) and 10.00 per cent by SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH (Kirn). The remaining 9.46 per cent of shares in the company were in free float.

No shareholdings were reported by the members of the Management Board as at 10 June 2022. The members of the Supervisory Board reported holdings of 13,000 shares as at the attendance date of the Annual General Meeting on 10 June 2022, which corresponds to 0.22 per cent of share capital of SIMONA AG.

To the extent that employees hold an interest in the company's capital, these employees themselves directly exercise the rights of control associated with their shareholdings. The appointment and the removal of members of the Management Board are governed by the statutory provisions set out in Sections 84 and 85 of the German Stock Corporation Act (Aktiengesetz – AktG) as well as by Article 9 of the Articles of Association of SIMONA AG. Under these provisions, the Management Board of the company consists of at least two members. The appointment of deputy members of the Management Board is permitted. The Management Board shall generally have a Chairperson appointed by the Supervisory Board.

The Supervisory Board may delegate decisions on the conclusion, amendment and termination of Management Board employment contracts to a Supervisory Board committee. Any amendments to the Articles of Association must be made in accordance with the statutory provisions set out in Section 179 et seq. of the German Stock Corporation Act.
According to Section 6 of the Articles of Association, the company is entitled to issue share certificates that embody one share (single certificate) or multiple shares (global certificates).

At present there are no significant agreements containing a change of control provision that would apply in the event of a takeover bid.

At present there are no agreements with members of the Management Board or with employees relating to compensation payments in the event of a change of control.

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6. NON-FINANCIAL STATEMENT PURSUANT TO SECTION 289B AND SECTION 315B HGB

The following non-financial statement has not been audited by the independent auditor.

Brief description of business model

The SIMONA Group develops, manufactures and markets a range of semi-finished thermoplastics, pipes and fittings as well as profiles. The materials used include polyethylene (PE), polypropylene (PP), polyvinyl chloride (PVC), polyethylene terephthalate (PETG), polyvinylidene fluoride (PVDF), ethylene-chlorotrifluoroethylene (E-CTFE), perfluoroalkoxy (PFA), thermoplastic olefins (TPO), acrylonitrile butadiene styrene (ABS), polycarbonate (PC) and various specialist materials. The production methods applied within this area range from extrusion, pressing, injection moulding and machining as well as the manufacture of customised fittings by the company's in-house plastics workshop.

The SIMONA Group's sales markets are reflected in its business lines. The Industry business line mainly supplies the chemical process and semiconductor industry, in addition to manufacturing products used in the field of water treatment, swimming pool construction and medical technology. The Infrastructure business line primarily manufactures piping systems for infrastructure applications centred around water and gas supply, wastewater disposal, the protection of power and data lines, and traffic route technology. The Advertising & Building business line mainly supplies PVC foam products for building and advertising applications. The Mobility business line specialises in products used in the interior design of aircraft and trains as well as motor vehicles. Another growth market for SIMONA is centred around products used in fish farming installations.

As a company, SIMONA is aware of its responsibilities towards people and the environment. Environmental, social and energy issues are key factors for SIMONA.

Environmental issues

Sustainability and the management of plastics are the two environmental issues that SIMONA will be pursuing intensely over the coming years. The federal government has adopted the Climate Protection Programme 2030. As one of the leading industrial nations, Germany bears a special responsibility for global climate change. The reduction of greenhouse gases is to be achieved in a sustainable and socially balanced manner, taking into account far-reaching measures. The EU Commission is drawing up a plastics strategy and the German Bundestag has passed a packaging law – both are aimed at pushing the sustainable use of plastics. SIMONA is committed to addressing these requirements by means of an all-embracing sustainability strategy and a certified environmental management system in accordance with DIN EN ISO 14001. This international standard for environmental management systems is designed to give certified companies a framework for protecting the environment and responding to changing circumstances in compliance with socio-economic requirements. The systematic approach promoted by the standard furnishes information that fosters success in the long term and opens up opportunities that contribute to sustainable development.

SIMONA has adopted an environmental management system at its sites in Kirn and Ringsheim in Germany and Litvinov in the Czech Republic and ensures compliance with its requirements through monitoring and recertification audits.

SIMONA manages risks associated with the environmental footprint of the raw materials it uses by carefully selecting resource suppliers based on the certifications they have obtained (origin, observing blacklists), substituting hazardous substances right from the research and development stage and complying with applicable legislation governing the use of hazardous substances.

In 2022, the first products made from sustainable raw materials were added to the product range.

Traceability of the raw materials used back to the original source is ensured in the form of ISCC PLUS certification, which took place in the same year. This helps to reduce consumption of non-renewable resources. At the same time, both quality and functionality are comparable to the levels associated with conventional raw materials.

SIMONA provides its customers with regular updates on the correct ways to use, recycle and dispose of its products and the waste that is generated when these products are processed further. Product characteristics, key data and safe storage and processing instructions are listed in material and safety data sheets for each product, which are available online.

SIMONA is a member of the "Zero Pellet Loss" initiative organised by Industrieverband Halbzeuge und Konsumprodukte aus Kunststoff e.V. (pro-K) as part of a global initiative launched by the plastics industry. Alongside technical measures for loss-free handling of materials, targeted activities also include staff training and regular monitoring of effectiveness.

Material risks relating to SIMONA's business activities include a serious negative impact on the environment, such as the contamination of the soil, air or bodies of water as a result of accidents, fires or the discharge of production waste. SIMONA manages its fire risk through preventive fire protection measures: regular maintenance for its extinguishers, inspections conducted with the insurer and fire service, a dedicated set of fire protection regulations and annual staff briefings. Accident-related risk is managed with regular checks and maintenance of plant and equipment, structural measures such as retention basins, collecting pans and sealed floors and by storing hazardous substances in compliance with the law. SIMONA follows fixed emergency plans in the event of an accident, carries out weekly, semi-annual and annual maintenance and tests the leak-tightness of its oil separators every five years. Test and inspection intervals are complied with and emissions are measured regularly.

SIMONA disposes of waste that cannot be returned to the production cycle in accordance with the provisions of the German Circular Economy Act (Kreislaufwirtschaftsgesetz). Recyclable production scrap is mainly recycled in-house or passed on to external recyclers. All waste disposal companies and recyclers have been certified and are authorised in accordance with the relevant statutory provisions. Staff receive regular training on preventing, recycling and disposing of waste. Reducing waste as a percentage of production volume is one of the company's key objectives.

Additionally, durable SIMONA products help to deliver effective solutions in response to market challenges, e.g. with regard to environmental engineering and utilities. SIMONA is an active member of VinylPlus, an organisation that focuses on improving sustainability within the PVC supply chain. In addition, the company is a co-initiator and holder of the PVC quality mark issued by Industrieverband Halbzeuge und Konsumprodukte aus Kunststoff e. V. (pro-K). Those entitled to use the mark have committed themselves to specific quality standards, in addition to delivering the best possible manufacturing expertise and a premium-quality service.

Reporting according to EU taxonomy

The concept surrounding the European Green Deal was drawn up by the European Commission to enable the transition to a competitive, resource-efficient and climate-neutral European economy. It forms an integral part of the European Union's climate policy and includes various measures in the areas of energy supply, transport, trade, industry, agriculture and forestry as well as financial market regulation. The European Green Deal includes the so-called EU taxonomy, the aim of which is to promote the allocation of private capital to sustainable investments. In this context, a unified classification system for environmentally sustainable economic activities in all sectors is to create transparency and uniformity.

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Mandatory reporting was introduced for capital market-oriented companies. On this basis, interested parties should be in a position to compare the sustainability of business models. Article 9 of the Taxonomy Regulation lists six environmental objectives defined by the European Union: climate change mitigation; climate change adaptation; the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; the protection and restoration of biodiversity and ecosystems. As regards these objectives, the task is to identify taxonomy-eligible and taxonomy-aligned economic activities and disclose their proportion of turnover (i.e. revenue) as well as their proportion of capital expenditure and operating expenditure. For the 2022 financial year, reporting will be limited to the first two objectives of climate change mitigation and climate change adaptation.

Determining key performance indicators

Working in close collaboration with those responsible from the relevant departments and sites, the Sustainability department conducted a Group-wide analysis to identify the taxonomy-eligible and taxonomy-aligned turnover (i.e. revenue), capital expenditure and operating expenditure. The underlying data was collected at the respective international sites and was then consolidated at Group level and verified. To avoid double counting, turnover (i.e. revenue), capital expenditure and operating expenditure are allocated directly and clearly to the identified economic activities. All amounts shown are in euros.

Turnover (i.e. revenue)

As regards the legal acts published to date in respect of the Taxonomy Regulation, only activities relevant to the objectives of climate change mitigation and climate change adaptation have been defined. Thus, they only cover the business activities of a limited part of the industries. On this basis, it was not possible to allocate turnover-relevant (i.e. revenue-relevant) economic activities to the SIMONA Group. Thus, no taxonomy-eligible or taxonomy-aligned turnover, i.e. revenue, was determined. This does not mean that products manufactured by the SIMONA Group do not support the achievement of the climate targets set out in the Regulation. This applies in particular to the fields of energy and water supply as well as mobility. However, the narrow definition of taxonomy-eligible and taxonomy-aligned revenue means that revenue generated by manufacturers of intermediate, i.e. input, products, which includes SIMONA with its semi-finished products, pipes and fittings, can only be taken into account to a very limited extent. By extending the scope of mandatory reporting to include the other environmental objectives, additional economic activities will be incorporated into the Taxonomy Regulation in the future. At present, due to the lack of technical screening criteria, it is not possible to make projections as to the extent to which taxonomy-eligible and taxonomy-aligned turnover, i.e. revenue, will be determinable in respect of the SIMONA Group in future financial years.

Capital expenditure (CapEx)

The SIMONA Group's capital expenditure, within the meaning of the EU Taxonomy Regulation, comprises additions to property, plant and equipment, intangible assets (including additions from business combinations) and right-of-use assets under lease arrangements in the reporting period in accordance with IFRS and without taking into account depreciation/amortisation and revaluations, including those from reversals of impairment losses and impairment losses. On this basis, the share of the corresponding capital expenditure that is attributable to taxonomy-eligible economic activities (taxonomy-eligible CapEx) is determined accordingly. This includes corresponding investments in connection with taxonomy-eligible economic activities, which include in particular investments in new buildings in China and in Norway as well as the acquisition of electric vehicles and a battery storage system. Due to the very strict requirements currently applicable in respect of taxonomy alignment and the simultaneous lack of availability of the required sustainability-related evidence on the part of SIMONA's suppliers, no taxonomy-aligned capital expenditure can be reported at this point in time.

Economic activities	Code(s)	Absolute CapEx euro	Share CapEx %
A. Taxonomy-eligible activities			
A.1. Environmentally sustainable activities (taxonomy-aligned)			
–		–	–
CapEx environmentally sustainable activities (taxonomy-aligned) (A.1)		–	–
A.2 Taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities)			
Transport by motorbikes, passenger cars and light commercial vehicles	6.5.	506,007	0.9%
Manufacture of batteries	3.4.	711,550	1.3%
Data processing, hosting and related activities	8.1.	780,263	1.4%
Manufacture of low-carbon technologies for transport	3.3.	89,190	0.2%
Renovation of existing buildings	7.2.	686,258	1.2%
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5.	215,287	0.4%
Installation, maintenance and repair of energy efficiency equipment	7.3.	74,136	0.1%
Construction of new buildings	7.1.	6,247,891	11.0%
CapEx taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities) (A.2)		**9,310,581**	**16.4%**
Total (A.1 + A.2)		9,310,581	16.4%

Operating expenditure (OpEx)

The SIMONA Group's operating expenditure within the meaning of the EU Taxonomy Regulation relates to direct expenditure that cannot be recognised as an asset under IFRS. This includes direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets. In particular, rental expenses for SIMONA ERP systems as well as costs for the maintenance of motor vehicles and building renovations were taken into account as taxonomy-eligible. Due to the very strict requirements currently applicable in respect of taxonomy alignment and the simultaneous lack of availability of the required sustainability-related evidence on the part of SIMONA's suppliers, no taxonomy-aligned operating expenditure can be reported at this point in time.

Economic activities	Code(s	Absolute OpEx euro	Share OpEx %
A. Taxonomy-eligible activities			
A.1. Environmentally sustainable activities (taxonomy-aligned)			
–	–	–	–
OpEx environmentally sustainable activities (taxonomy-aligned) (A.1)	-	-	-
A.2 Taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities)			
Transport by motorbikes, passenger cars and light commercial vehicles	6.5.	1,316,178	6.1%
Data processing, hosting and related activities	8.1.	2,329,563	10.8%
Renovation of existing buildings	7.2.	1,203,108	5.6%
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5.	378,509	1.8%
OpEx taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities) (A.2)		**5,227,357**	**24.3%**
Total (A.1 + A.2)		5,227,357	24.3%

Energy issues

A certified energy management system in accordance with the requirements of DIN EN ISO 50001:2018 forms part of the company's central policies. This international standard for the energy management system is designed to help certified companies to develop systems and processes to become more energy-efficient. Adopting a systematic approach in order to introduce, implement, maintain and improve an energy management system is intended to enable companies to continuously improve their performance as regards energy management, energy efficiency and energy saving. The standard outlines requirements regarding the supply, use and consumption of energy, including their measurement, documentation, reporting, design and procurement practices for energy consuming facilities, systems, processes and personnel.

SUSTAINABLE GROWTH

SIMONA is pursuing this energy management system in accordance with DIN EN ISO 50001 for the Kirn, Ringsheim and Litvinov (Czech Republic) sites. SIMONA demonstrates its compliance with the strict requirements of this concept through regular surveillance audits and recertification. The last successful recertification took place in 2020 and is valid until 2 December 2023.

Material risks associated with SIMONA's business activities that could be very likely to have a serious negative impact on energy issues relate to the consumption of resources and the production of emissions. SIMONA counters these risks by continuously monitoring its energy resources and taking the resulting measures to enhance energy efficiency and reduce energy consumption. Key objectives in the field of energy management are a continuous improvement in energy efficiency, but in particular the reduction of greenhouse gas emissions.

SIMONA is a member of the “Initiative Klimafreundlicher Mittelstand” (“Climate-Friendly SME Initiative”) of VEA (Bundesverband der Energie-Abnehmer e.V.). Together, the participants work on using energy more efficiently, focusing increasingly on climate-friendly forms of energy and supporting climate projects. Through joint exchange, advisory and information services, the initiative raises awareness of the issue of climate protection and has set itself the goal, among other things, of reducing CO_2 emissions in companies.

Personnel matters

The company's employees are a key pillar of its success. This is an integral part of the company culture embraced by us and is thus also enshrined at several levels in our Code of Conduct, which applies equally to employees, line managers and senior executives at all SIMONA companies.

For instance, the company has made health and safety at work a priority and has introduced a “Vision Zero” (referring to the number of occupational accidents) action plan. This is a multi-year concept for the sustainable reduction of occupational accidents, consisting of an extensive range of individual measures. The execution of these measures was also defined as a target in the global Balanced Scorecard (BSC). The collection of data relating to accidents at work in accordance with an internationally harmonised definition has been carried out on an international basis since 2020. All occupational accidents are logged in reports by the health and safety officers appointed by the company before their causes are analysed and preventive action is determined based on this analysis. SIMONA AG has also set up a healthcare team geared towards keeping staff healthy through various campaigns (e.g. free supply of fruit, allowance for gym membership, job bike, health care partnership with a major health insurer and annual focal points). During the covid-19 pandemic, an interdisciplinary task force was established to ensure the seamless and appropriate management of activities relating to hygiene and infection control

A keen supporter of diversity and equal opportunities for all its employees, SIMONA had, upon introduction of statutory regulations governing such target figures, set itself the target in 2015 of appointing female executives to 20 per cent of positions at the level below the SIMONA AG Management Board. As this target was met at the first scheduled date of review, a new target of 25 per cent was set in 2018. In 2022, a new definition was chosen that better reflects the organisational structure within SIMONA AG and operates with absolute figures. The new targets are 3 women at the first managerial level and 2 women at the second managerial level, each below the Management Board. In order to improve the existing quotas, the management has decided specifically to always conduct an interview with at least one female candidate for open management positions.

SIMONA AG invests in bringing on suitable young talent and regularly participates in joint projects with schools and universities (school mentoring schemes, MINT programme). As well as training, applicants who fit the criteria can look forward to a dual-degree course, subsidised training to fit around their existing work commitments (part-time degree) or a placement at one of the foreign sites run by our subsidiaries. SIMONA AG maintains partnerships with the universities in Ludwigshafen, Darmstadt and Mainz in order to offer these part-time degrees.

SIMONA regularly seeks its employees' opinions in anonymous staff surveys and uses the results to devise tangible measures to improve staff satisfaction. Most recently, a global employee satisfaction survey was conducted in autumn 2022, on the basis of which improvement measures will now be drawn up in 2023 as part of a process to be rolled out globally. To a large extent, the SIMONA companies located in Germany have already implemented performance appraisals. As regards the commercial functions at the Kirn site, they are, in part, already organised on the basis of a skills matrix. This set-up allows every employee to be shown the requirements of their position and the extent to which they themselves are meeting these requirements. Training and personal development needs are determined based on these annual PDRs. Feedback from training courses attended is evaluated systematically.

SIMONA conducts international training in the context of project management and presentation training concepts aimed at developing candidates identified for key positions as part of succession planning.

Within the SIMONA companies, the flow of information to staff is guaranteed by the SIMONA intranet, a noticeboard system, departmental get-togethers and regular shift training.

SIMONA recognises the right of all its employees to be represented on, in and by trade unions and to form staff committees. There are long-established employee representatives at the German sites: at the Kirn site the workforce is also represented by the IGBCE.

Material risks to which we could be exposed by neglecting personnel matters relate to a loss of staff – and thus their expertise and potential trade secrets – to the competition. A "brain drain" of this kind can also mean a fall in quality, which could have financial implications in the form of higher warranty claims and the loss of customers. Last but not least, high rates of sickness absence have a negative impact on site productivity. We are also facing the challenges of demographic change, which for us brings risks associated with capacity and an ageing population as well as the issue of how to recruit young members of staff.

SIMONA has not yet assessed to what extent it complies with the underlying International Labour Organisation agreements as regards its measures and policies on personnel matters.

Human rights

SIMONA is committed to upholding internationally recognised human rights and, in its Code of Conduct, has imposed a binding obligation on itself and its staff to safeguard these rights. In so doing, we are supporting international diversity, advocating equal opportunities and demanding mutual respect from our employees. Factors that are a potential source of discrimination such as gender, background, religion or sexual orientation are not considered when the company makes decisions. We wholeheartedly reject any form of forced or child labour and expect our business partners to do the same. We are continuously developing our approach. Breaches of the basic principles laid down in our Code of Conduct can be reported to the Compliance Officer and will be punished severely. A whistleblower system for anonymous, simple reporting of compliance violations has been set up for employees and external third parties.

Combating bribery and corruption

Without exception or restriction, SIMONA undertakes not to give any illegal gratuities to its staff, advisors, commercial representatives, agents or similar third parties or to receive any such gratuities. SIMONA has issued policies for avoiding bribery and corruption in respect of various areas and everyday situations with which its employees could be confronted. Breaches will be punished severely.

SUSTAINABLE GROWTH

Under some circumstances, breaches of the ban and related policies can be serious offences that can cause the company financial damage as well as significant damage to its reputation. They will also give many of our contractual partners grounds to terminate their cooperation. Finally, they can also lead to the company being excluded from bidding for public tenders in Germany and abroad.

Spotting risks early is a key criterion in preventing compliance breaches. In order to sensitise employees to this issue and to support them in complying with the requirements, online training is carried out on an ongoing basis.

The specific compliance risks to which SIMONA is exposed are determined, analysed and updated systematically in an annual process. Appropriate preventive measures are formulated and introduced as and when new risks emerge.

Checks as to whether the subsidiaries are complying with the regulations on preventing bribery and corruption are performed by means of regular site audits, including inspecting accounts and cash holdings.

SIMONA has appointed a Compliance Officer to ensure the effective implementation of its compliance system. SIMONA allows both staff and external third parties to report breaches of the ban on bribery and corruption to the Compliance Officer anonymously via the whistleblower system.

Rather than following or being based on any national or international standards, the company's system for combating bribery and corruption is structured in line with the individual requirements and risk situation within the organisation.

Social matters

As a company, SIMONA bears responsibility for the development and appeal of the cities and communities where it is based and takes social matters into account. It is committed to supporting social, cultural and aid projects at its various sites across the world. The due diligence processes implemented as part of this philosophy lay down responsibilities and workflows for selecting the institutions, projects and initiatives to be supported and how much support each is to receive. In 2022, for example, Trinkwasserwald e.V. was supported financially and by means of a tree planting campaign at the Kirn site.

At the Kirn site, support is also provided by the Dr. Wolfgang und Anita Bürkle Stiftung, SIMONA AG's major shareholder. The foundation focuses on promoting education and healthcare, endangered species and animals in general, art and culture, development aid funding and charitable causes relating to social welfare facilities.

The aforementioned non-financial statement that has not been audited by the independent auditor ends here.

Forward-looking statements and forecasts

This combined management report contains forward-looking statements that are based on the current expectations, presumptions and forecasts of the Management Board of SIMONA AG as well as on information currently available to the Management Board. These forward-looking statements shall not be interpreted as a guarantee that the future events and results to which they refer will actually materialise. Rather, future circumstances and results depend on a multitude of factors. These include various risks and imponderables, as well as being based on assumptions that may conceivably prove to be incorrect. SIMONA AG shall not be obliged to adjust or update the forward-looking statements made in this report.

Responsibility Statement

We hereby declare that, to the best of our knowledge, the combined management report includes a fair review of the development and performance of the business and the position of the SIMONA Group and SIMONA AG, together with a description of the principal opportunities and risks associated with the expected development of the Group and SIMONA AG.

Kirn, 17 April 2023

SIMONA Aktiengesellschaft
The Management Board

Matthias Schönberg   Dr. Jochen Hauck   Michael Schmitz

SUSTAINABLE GROWTH

BALANCE SHEET OF SIMONA AG FOR THE FINANCIAL YEAR 2022

ASSETS (in € '000)			31/12/2022	31/12/2021
A.	**NON-CURRENT ASSETS**			
I.	**Intangible assets**	Industrial property rights and similar rights and assets as well as licences in such rights and assets	1,167	147
			1,167	**147**
II.	**Property, plant and equipment**	1. Land, land rights and buildings	3,834	3,764
		2. Technical equipment and machinery	359	429
		3. Technical equipment, operating and office equipment	6,852	4,099
		4. Prepayments and assets under construction	1,068	4,025
			12,114	**12,317**
III.	**Financial assets**	1. Investments in affiliated companies	179,578	131,910
		2. Loans to affiliated companies	32,046	35,030
		3. Other long-term equity investments	23	23
			211,647	**166,963**
			224,928	**179,427**
B.	**CURRENT ASSETS**			
I.	**Inventories**	1. Raw materials, consumables and supplies	971	777
		2. Finished goods and merchandise	26,628	20,610
		3. Prepayment for inventories	29	29
			27,628	**21,416**
II.	**Receivables and other assets**	1. Trade receivables	30,056	26,737
		2. Receivables from affiliated companies	37,411	31,194
		3. Receivables from other long-term investees and investors	3,497	1,760
		4. Other current assets	11,321	6,921
			82,286	**66,612**
III.	**Cash in hand and bank balances**		**16,752**	**24,686**
			126,666	**112,715**
C.	**PREPAID EXPENSES**		**647**	**606**
			352,241	**292,747**

EQUITY AND LIABILITIES (in € '000)			31/12/2022	31/12/2021
A.	**EQUITY**			
I.	**Subscribed capital**		15,500	15,500
II.	**Capital reserves**		15,032	15,032
III.	**Revenue reserves**	1. Legal reserves	397	397
		2. Statutory reserves	2,847	2,847
		3. Other revenue reserves	167,148	162,648
IV.	**Unappropriated surplus**		11,623	16,057
			212,547	**212,481**
B.	**PROVISIONS**			
1.	Provisions for pensions		44,623	43,286
2.	Provisions for taxes		96	461
3.	Other provisions		10,866	7,089
			55,584	**50,836**
C.	**LIABILITIES**			
1.	Liabilities to banks		64,960	11,430
2.	Trade payables		3,484	2,763
3.	Liabilities to affiliated companies		11,617	11,058
4.	Other liabilities	(of which relating to taxes €264 thousand; previous year: €255 thousand) (of which relating to social security €944 thousand; previous year: €915 thousand)	4,049	4,179
			84,110	**29,430**
			352,241	**292,747**

SUSTAINABLE GROWTH

INCOME STATEMENT OF SIMONA AG FOR THE FINANCIAL YEAR 2022

(in € ’000)			01/01/–31/12/2022	01/01/–31/12/2021
1.	Revenue		398,254	345,158
2.	Increase (previous year reduction) in finished goods inventories		0	–78
			398,254	**345,080**
3.	Other operating income	(of which from currency translation €3,579 thousand; previous year: €2,918 thousand)	3,904	3,779
4.	Cost of materials	a) Cost of raw materials, consumables and supplies and of purchased merchandise	–321,412	–272,057
		b) Cost of services purchased	–473	–645
			–321,885	**–272,702**
5.	Staff costs	a) Wages and salaries	–24,914	–21,896
		b) Social security, post-employment and other employee benefit costs (of which in respect of old-age pensions –€610 thousand; previous year: –€1,389 thousand)	–4,429	–5,003
			–29,343	**–26,899**
6.	Depreciation, amortisation and write-downs of property, plant and equipment as well as intangible assets		–1,725	–1,487
7.	Other operating expenses	(of which from currency translation –€1,894 thousand; previous year: –€448 thousand)	–45,404	–35,872
8.	Income from equity investments	(of which from affiliated companies €7,000 thousand; previous year: €6,030 thousand)	7,350	6,730
9.	Income from financial asset loans	(of which from affiliated companies €783 thousand; previous year: €547 thousand)	783	547
10.	Reversal of write-downs of financial assets		0	11,551
11.	Other interest and similar income	(of which from affiliated companies €348; previous year: €160 thousand)	483	296
12.	Write-downs of financial assets		–25	0
13.	Result from profit/loss transfer		2,341	–1
14.	Interest and similar expenses	(of which to affiliated companies –€87 thousand; previous year: –€66 thousand) (of which from compounding –€1,352 thousand; previous year: –€3,662 thousand)	–2,154	–3,934
	Profit before taxes		**12,580**	**27,087**
15.	Taxes on income		–2,278	–3,683
16.	**Profit after taxes**		**10,302**	**23,405**
17.	Other taxes		–36	–62
18.	**Profit for the year**		**10,266**	**23,342**
19.	Unappropriated retained earnings brought forward		5,857	4,386
20.	Allocation to other revenue reserves		–4,500	–11,671
21.	**Unappropriated surplus**		**11,623**	**16,057**

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2022

General information

DSIMONA AG, with its registered office in Kirn, has been entered in the Commercial Register at the District Court of Bad Kreuznach (HRB 1390).

At the end of the reporting period on 31 December 2022, SIMONA AG was categorised as a large corporation within the meaning of Section 267 of the German Commercial Code (Handelsgesetzbuch – HGB). The financial year shall correspond to the calendar year.

These financial statements have been prepared in accordance with Section 242 et seqq. and Section 264 et seqq. of the German Commercial Code (Handelsgesetzbuch – HGB) as well as on the basis of the relevant provisions set out in the Stock Corporation Act (Aktiengesetz – AktG) and the supplementary accounting requirements of the Articles of Association. In this case, regulations governing large corporations apply.

The income statement has been prepared on the basis of the nature of expense method.

For computational reasons, the tables presented in this document may include rounding differences equivalent to +/- one unit (€, %, etc.).

The financial statements are prepared in euro. The amounts are stated in thousands of euros (€ thousand).

Accounting policies

The following accounting policies, which remain unchanged compared with the previous year, have been used in preparing the annual financial statements:

Purchased intangible assets are recorded at their cost of acquisition and, to the extent that their useful lives are finite, their carrying amount is appropriately reduced by systematic straight-line amortisation over their useful lives of 3 to 5 years.

The company does not recognise **internally generated intangible assets** relating to non-current assets.

Property, plant and equipment are initially recorded at cost of purchase and, to the extent that their useful lives are finite, their carrying amounts are reduced by systematic straight-line depreciation. Assets relating to property, plant and equipment are written down according to their estimated useful lives of 3 to 20 years. Depreciation on additions to property, plant and equipment is performed pro rata temporis. Items of property, plant and equipment whose cost of purchase or conversion is in excess of €250, but not in excess of €1,000, are accounted for in an annual collective item in the year of addition. This collective item is subject to depreciation in the year it was formed as well as in the subsequent four financial years, in each case at a rate of one-fifth. Following full depreciation, the collective items are derecognised. Advance payments are carried at their nominal values.

In the case of **financial assets**, equity interests and loans are carried at cost or, where the impairment is likely to be permanent, at the lower fair value.

In accordance with the strict lower-of-cost-or-market principle, **inventories** are stated at the lower of purchase or conversion cost and fair value.

The cost of purchase or conversion of raw materials, finished goods and merchandise is determined on the basis of the LIFO method. In accordance with Section 255(2) of the German Commercial Code (Handelsgesetzbuch – HGB), production costs include not only the directly attributable costs but also pro rata indirect costs of material and production as well as depreciation and amortisation.

The inventories associated with consumables and supplies have been capitalised at the lower of average historical cost or current cost at the end of the reporting period.

SUSTAINABLE GROWTH

All identifiable risks associated with **inventories**, relating to holding periods in excess of average duration, diminished usability and lower replacement costs, are recognised by an appropriate write-down.

Receivables and other assets are carried at their nominal values (cost of purchase). All items subject to risk are written down on an item-by-item basis. Where items are subject to a general credit risk, a general allowance is recognised.

Cash in hand and bank balances are carried at their nominal values.

Prepaid expenses are expenses incurred before the end of the reporting period that represent expenses for a certain period thereafter.

Subscribed capital is carried at its nominal value.

The **provisions for pensions** are determined in accordance with actuarial principles by applying the projected unit credit method on the basis of “Richttafeln 2018 G” (actuarial mortality assumptions) published by Prof. Dr. Klaus Heubeck. Owing to the significant rise in inflation, pension adjustments applicable in the coming years are likely to be subject to changes. The associated expense has already been taken into account in the 2022 financial year. For this purpose, trend parameterisation in respect of pensions was set at a higher level than in previous years. With regard to the discount rate, as in the previous year the average market rate for the past ten years (with a remaining term of fifteen years), amounting to 1.79 per cent (previous year: 1.87 per cent), was applied. As in the previous year, expected increases in salaries were accounted for with an interest rate of 2.50 per cent, while the trend in respect of the contribution assessment ceiling for social insurance was accounted for with an interest rate of 2.00 per cent and expected pension increases with 2.00 per cent (previous year: 1.87 per cent). Due to its minor significance, no staff turnover, i.e. fluctuation, rate was applied. The difference between the pension provisions recognised by the company and provisions calculated on the basis of an average interest rate for the last seven and ten annual periods is €-2,587 thousand (previous year: €-3,785 thousand).

Reinsurance policies exist in connection with pension obligations. These are plan assets in accordance with Section 246(2) sentence 2 HGB. The provision is the net amount of the actuarial present value of the obligation and the fair value of the plan assets set up to cover it as specified in Section 253(1) sentence 4 HGB; the fair value generally corresponds to the market value of the plan assets that have been offset.

In accordance with Section 28(1) sentence 2 of the Introductory Act to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch – EGHGB), no provisions are recognised in respect of **indirect obligations** arising from pension benefits.

Tax and other provisions were created with reference to liabilities, the timing or amount of which were uncertain at the end of the reporting period or in consideration of future losses on pending transactions. They were recognised at the settlement amount deemed appropriate following a reasonable commercial assessment (i.e. including future cost and price increases). Provisions with a residual term of more than one year are discounted at the average market interest rate of the past seven years published by the Deutsche Bundesbank for the current financial year in line with the term.

Other provisions include, among other items, provisions for anniversary benefits. The valuation of the anniversary provisions was carried out in accordance with the provisions of commercial law using the projected unit credit method. The 2018G mortality tables of Heubeck AG serve as the basis for calculation, with a flat interest rate of 1.43 per cent p.a. (previous year: 1.34 per cent p.a.) calculated in accordance with Section 253(2) sentence 2 HGB and the assumption of salary increases as in the previous year of 2.50 per cent p.a.

Other provisions also include obligations from the partial retirement programme launched at the end of 2021. Partial retirement is organised on the basis of the so-called block model (based on the corresponding individual contracts or the company agreement concerning compensation entitlements). In the first phase of partial retirement (“employment phase” or “active phase”), the employee performs his/her full work, while during this time he/she is only paid according to the part-time agreement. As a result, SIMONA accumulates a so-called “outstanding settlement amount” over the course of the employment phase, equivalent to the portion of work performed that has not yet been remunerated, for which a provision is to be recognised. In the second phase of partial retirement ("release phase" or "passive phase"), the employee is paid according to the part-time regulation without performing any work. In this context, the remuneration in question is paid by utilising the provision for the accumulated outstanding settlement amount (IDW RS HFA 3, marginal note 26). When calculating the provision for partial retirement, the top-up, i.e. bonus, payments, to be paid during partial retirement are accounted for at their full present value from the conclusion of the contract, as they are by nature comparable to severance payments. The provision was determined on the basis of a salary trend of 2.5 per cent for 2023, as in the previous year. The discount rate continues to be based on a market interest rate for public bonds with an appropriate maturity.

Liabilities are stated at their settlement amount; to the extent that they are non-current and non-interest-bearing, they are recognised as liabilities at their present value.

For the purpose of determining **deferred taxes** arising from temporary differences between the accounting carrying amounts of the assets, liabilities and accruals/deferrals and the equivalent tax base, the amounts of resulting tax burden or benefit are measured, and not discounted, using the company-specific tax rates at the date of the reduction in differences. In accordance with the right to exercise the option in respect of recognition, deferred taxes are not capitalised.

Currency translation

In the financial statements of SIMONA AG, receivables and liabilities denominated in foreign currencies are translated using the mean spot exchange rate at the end of the reporting period (Section 256a HGB). In the case of a remaining term of more than one year, the Realisation Principle (Section 252(1) no. 4 half sentence 2 HGB) and the Historical Cost Principle (Section 253(1) sentence 1 HGB) were observed accordingly.

NOTES TO BALANCE SHEET

Non-current assets

Changes to individual items classified as non-current assets have been presented in the statement of changes in fixed assets (appendix to notes) together with details of depreciation, amortisation and write-downs for the full financial year.

Details of shareholdings

Details of shareholdings are presented in the appendix to the notes.

As regards the foreign entities, information pertaining to equity and earnings has been taken from the data used in connection with the consolidated IFRS financial statements as at 31 December 2022 (so-called Handelsbilanz II, i.e. single-entity financial statements adjusted/restated for uniform group accounting policies). Entities' foreign-currency equity is translated at the closing rate, while entities' foreign-currency earnings are translated at the average rate of the financial year.

In the period under review, 100 per cent of the shares in Peak Pipe Systems Limited, Chesterfield, United Kingdom, were acquired by the company. The entity was subsequently renamed SIMONA PEAK Pipe Systems Limited. The interests in affiliated companies increased by a total of €47,693 thousand, equivalent to the amount of the acquisition and incidental acquisition costs as well as subsequent acquisition costs due to an earn-out clause.

The interests in OOO SIMONA RUS, Moscow, Russian Federation, in the amount of €25 thousand were written down on account of the discontinuation of business operations in February 2022.

Loans to affiliated companies

This item includes loans to SIMONA America Group Inc. (€2,571 thousand), SIMONA ASIA LIMITED (€17,157 thousand), SIMONA ASIA PACIFIC PTE. LTD (€1,132 thousand), SIMONA Stadpipe AS (€383 thousand) and SIMONA PLASTECH (€9,500 thousand).

SUSTAINABLE GROWTH

Inventories

Inventories of raw materials, finished goods and merchandise are measured on the basis of the LIFO method. LIFO valuation of finished goods and merchandise is carried out without taking into account write-downs due to long holding periods and diminished usability. Inventories are presented according to appropriate groups, which are then valued at the lower of cost and net realisable value. The difference arising from the application of this method compared with the average cost method, leading to a reduction in inventories, was €21,946 thousand (previous year: €18,548 thousand) with regard to finished goods and merchandise.

Receivables and other assets

Essentially, as was the case in the previous year, all receivables and other assets have maturities of under one year.

The receivables from affiliated companies relate to trade receivables (€32,825 thousand, previous year: €27,095 thousand), receivables in respect of the share of profit of entities established in the corporate form of partnerships (€4,256 thousand, previous year: €4,099 thousand) and receivables from dividends (€331 thousand, previous year: €0 thousand). The receivables from other long-term investees and investors, amounting to €3,497 thousand (previous year: €1,760 thousand), are attributable to payments made within the context of post-employment benefits.

The other assets mainly include sales tax receivables of €2,173 thousand and claims for income tax refunds for the financial years 2021 and 2022 amounting to €8,780 thousand.

Equity

As in the previous year, share capital amounted to €15,500 thousand and consisted of 6,000,000 bearer shares. Share capital is in the form of no-par-value shares (“Stückaktien”).

Capital reserves include the share premium from the issuance of SIMONA AG stock. There was no increase in capital reserves in the period under review.

The unappropriated surplus (“Bilanzgewinn”, i.e. the distributable profit) includes €5,857 thousand in unappropriated retained earnings brought forward. In the financial year under review, a total of €4,500 thousand was allocated to other revenue reserves as prescribed by the Articles of Association. In addition, please refer to the proposed appropriation of profits.

Provisions for pensions and similar obligations

The disclosure of the pension provision in the balance sheet in the amount of €44,623 thousand (previous year: €43,286) is made after offsetting the existing plan assets in the amount of €668 thousand (previous year: €455 thousand). The acquisition costs of the plan assets correspond to the fair value, as a result of which there is limitation of distribution.

SIMONA Sozialwerk GmbH operates as a pension fund, governed by German law, for the purpose of funding the indirect pension obligations for SIMONA AG. As in the past, the assets of SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH may be utilised solely for benefit-related purposes relating to SIMONA Sozialwerk GmbH. At the end of the reporting period, the fair value of these assets amounted to €52,808 thousand (previous year: €47,317 thousand), with a pro-rata share of €33,692 thousand (previous year: €30,609 thousand) attributable to SIMONA AG.

At the end of the year, the company recorded a deficit of €23,883 thousand (ten-year interest rate) and €28,821 thousand (seven-year interest rate); this deficit does not necessitate mandatory recognition as a liability.

Other provisions

Other provisions include the variable purchase price obligation relating to the acquisition of SIMONA PEAK Pipe Systems Limited, with a remaining term of more than one year and less than five years, in the amount of €2,956 thousand (previous year: €0 thousand). Beyond this, the other provisions were mainly recognised in respect of personnel-related provisions in the amount of €6,200 thousand (previous year: €5,113 thousand) and outstanding invoices amounting to €1,443 thousand (previous year: €1,626 thousand).

Liabilities

Bank borrowings include loans of €28,602 thousand (previous year: €6,425 thousand) with a remaining term of less than one year and loans of €32,769 thousand (previous year: €5,005 thousand) with a remaining term of more than one year and less than five years. Bank borrowings with a remaining term of more than five years amounted to €3,589 thousand (previous year: 0 thousand). As in the previous financial year, there were no bank overdrafts due within one year.

Liabilities to affiliated companies relate to trade payables due within one year (€8,229 thousand; previous year: €7,359 thousand).

Trade payables (€3,484, thousand, previous year: €2,763 thousand) and other liabilities (€4,049 thousand, previous year: €4,179 thousand) are due within one year, as in the previous year.

All other liabilities are due within one year, as in the previous year.

As in the previous year, all liabilities are unsecured.

Deferred taxes

Deferred taxes are not presented in the balance sheet, as the option provided under Section 274 HGB specifies that the excess of assets remaining after netting of deferred tax assets and deferred tax liabilities need not be recognised. Deferred tax liabilities result primarily from non-current assets and valuation differences in the case of trade receivables due to unrealised foreign exchange gains. Deferred tax assets result mainly from differences in valuation relating to provisions for pensions and similar obligations as well as other provisions. The amounts were computed on the basis of a tax rate of 29.48 per cent.

Derivative financial instruments

As part of the purchase price financing for SIMONA Peak Pipe Systems Limited, an interest rate swap was concluded for the purpose of hedging the interest rate risk. In this context, the variable interest payment is converted in economic terms into a fixed interest payment.

The interest rate swap covers a nominal principal amount of €11,250 thousand. At the end of the reporting period, the variable part of the loan had a volume of €10,688 thousand.

The measurement of interest rate swaps is conducted in the form of discounting the future cash flows (discounted cash flow method) on the basis of the market interest rates applicable at the end of the reporting period for the remaining term of the contracts.

On this basis, the fair value at the end of the reporting period was €408 thousand. As no valuation unit has been formed, the positive value contribution is not presented as at the end of the reporting period. This is due to the fact that this represents a pending transaction that does not have to be capitalised. Therefore, the carrying amount is €0.

As no valuation unit pursuant to Section 254 HGB has been formed, no disclosure is required pursuant to Section 285 No. 23 HGB.

Contingencies

SIMONA AG issued a Letter of Comfort for the subsidiary SIMONA ASIA PACIFIC PTE. LTD., Singapore, and for the subsidiary SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China. In accordance with these Letters of Comfort, the company is obliged to furnish the respective subsidiaries with sufficient financial resources so that they are in a position to meet their obligations.

As collateral for third-party liabilities, SIMONA AG issued a Letter of Comfort and a First Demand Guarantee for the purpose of securing commodity deliveries. The liabilities of SIMONA Produktion Kirn GmbH & Co. KG, Kirn, and SIMONA Produktion Ringsheim GmbH & Co. KG, Ringsheim, towards suppliers amounted to €2,203 thousand in total as at 31 December 2022.

As collateral for third-party bank liabilities, SIMONA AG issued a guarantee for the purpose of securing a line of credit. As at 31 December 2022, the bank liabilities of SIMONA PLASTECH LEVHA SAN.A.Ş., Düzce, are valued at a total of €3,990 thousand.

SUSTAINABLE GROWTH

The risk of a contractual obligation arising from guarantees and letters of comfort is currently considered to be improbable, with the exception of the guarantee in respect of SIMONA PLASTECH, as the subsidiaries in question have sufficient funds from operating activities to meet their obligations.

SIMONA Sozialwerk GmbH, Kirn, operates as a pension fund, governed by German law, for the purpose of funding the indirect pension obligations for SIMONA AG. This results in contingent liabilities as at the balance sheet date. The reporting company remains directly obligated to the extent that the assets of the pension fund are insufficient to meet the obligations. There continues to be subsidiary liability for the indirect pension obligations of the subsidiaries SIMONA Produktion Kirn GmbH & Co. KG, Kirn, and SIMONA Produktion Ringsheim GmbH & Co. KG, Ringsheim. At the end of the reporting period, the deficit for indirect pension obligations amounted to €37,441 thousand (10-year interest rate). Given the current financial resources of SIMONA Sozialwerk GmbH, the risk of a claim arising from these indirect pension obligations is considered to be low.

Notes to income statement

Revenue

Revenue by region:

	2022 € '000	%	2021 € '000	%
Germany	155,576	39.1	136,747	39.6
EMEA (Europe, Middle East, Africa)	206,007	51.7	183,639	53.2
Americas	10,007	2.5	6,971	2.0
Asia-Pacific	26,664	6.7	17,801	5.2
	398,254	**100.0**	**345,158**	**100.0**

Revenue by business line:

	2022 € '000	%	2021 € '000	%
Industry	154,424	38.8	129,508	37.5
Infrastructure	68,486	17.2	58,543	16.9
Mobility	4,600	1.1	4,657	1.3
Advertising & Building	27,987	7.0	27,123	7.9
Intercompany	84,653	21.3	76,820	22.3
Others	58,104	14.6	48,507	14.1
	398,254	**100.0**	**345,158**	**100.0**

Other operating income

Other operating income mainly includes income from exchange differences (€3,579 thousand previous year: €2,918 thousand) and income unrelated to the accounting period from the reversal of provisions (€147 thousand, previous year: €138 thousand) and asset disposals (€47 thousand, previous year: €74 thousand).

Other operating expenses

Other operating expenses result primarily from expenses for outgoing freight (€14,225 thousand; previous year: €12,075 thousand), expenses for packaging materials (€6,256 thousand; previous year: €4,504 thousand), commission expenses (€5,513 thousand, previous year: €4,336 thousand), legal and consulting fees (€3,340 thousand; previous year: €2,552 thousand), rental expenses (€3,306 thousand; previous year: €3,301 thousand), maintenance expenses (€2,429 thousand; previous year: €2,612 thousand), expenses from exchange differences (€1,894 thousand; previous year: €448 thousand), advertising costs (€1,514 thousand; previous year: €698 thousand) and occupancy costs (€698 thousand; previous year: €669 thousand). Expenses not attributable to the accounting period relate to the derecognition of receivables (€522 thousand; previous year: €338 thousand).

Income from profit transfer

This item relates to the profit and loss transfer agreement in place with SIMONA Beteiligungs-GmbH, Kirn.

Interest and similar expenses

Interest and similar expenses include interest expenses from the plan assets of pension obligations in the amount of €25 thousand (previous year: €12 thousand) and interest expenses from pension provisions in the amount of €1,347 thousand (previous year: €3,662 thousand) in accordance with Section 246(2) sentence 2 HGB.

Taxes on income

Income taxes are attributable primarily to the result before taxes in the financial year under review. This item includes tax expenses of €370 thousand (previous year: €541 thousand) that relate to previous financial years.

Other disclosures

Off-balance-sheet transactions

Under the terms of the rental contract of 1 December 2017, SIMONA Immobilien GmbH & Co. KG leases to SIMONA AG the land and buildings required for its operations for an indefinite term and with a mutual right of termination on the basis of regular way terms and conditions. The rent payable totals €3,277 thousand per annum. The rental payments result in an outflow of cash and cash equivalents at SIMONA AG.

Lease agreements, especially for motor vehicles, were concluded to avoid the immediate outflow of cash and cash equivalents. Alongside the advantage of improving the liquidity situation through low cash outflows, there is the risk of higher cash outflows overall over the entire useful life.

Other financial commitments

	€ '000
Commitments from rental and lease agreements	
Due 2023	2,156
Due after 2023	256
	2,412

Of this total, €1,638 thousand is attributable to other financial obligations towards affiliated companies.

The order commitments are attributable to investment contracts in the amount of €2,379 thousand.

The estimated outflow of funds resulting from the put/call option agreed with SIMONA Stadpipe AS as part of the corporate transaction for the acquisition of the interests remaining with the minority shareholder amounts to €7.4 million. This is categorised as other financial obligations towards the minority shareholder of SIMONA Stadpipe AS.

Related-party transactions

Dr. Roland Reber, member of the Supervisory Board of SIMONA AG, is also the Managing Director of Ensinger GmbH; Nufringen. In the financial year under review, product sales amounting to €2,748 thousand (previous year: €2,523 thousand) were transacted between SIMONA AG and the entities of the Ensinger Group. The two entities maintain business relations with each other on arm's length terms.

Beyond this, companies of the SIMONA Group entered into no significant transactions with members of the Management Board or the Supervisory Board of SIMONA AG and/or entities to which these persons have been appointed in an executive or controlling capacity (revenues less than €25 thousand in total). This also applies to close family members of the aforementioned persons.

SUSTAINABLE GROWTH

Governing bodies and compensation

Management Board

Matthias Schönberg, Oberursel,
Diplom-Kaufmann, (Chairman of the Board/CEO)
Responsible for the areas:
- North America region
- Asia-Pacific region
- Strategic Business Development
- Mergers & Acquisitions
- HR & Legal
- Investor Relations
- Marketing & Communication

Michael Schmitz, Sprendlingen,
Bankkaufmann
Responsible for the areas:
- Finance
- Controlling
- Taxes
- Purchasing
- IT & Organisation
- Quality Management
- Real Estate/Construction
- Energy Management

Dr. Jochen Hauck, Mainz,
Diplom-Ingenieur
Responsible for the areas:
- EMEA region (Europe/Middle East/Africa), South America and India
- Global Process Management
- Research and Development
- Applications Technology/Technical Service Centre
- Global Process Development
- Central Logistics
- HSE (Health, Safety, Environment)

Matthias Schönberg performs supervisory duties within the following companies of the SIMONA Group:
- SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain
- SIMONA POLSKA Sp. z o.o., Wrocław, Poland
- SIMONA ASIA PACIFIC PTE. LTD, Singapore, Singapore
- SIMONA ASIA LIMITED, Hong Kong, China
- SIMONA FAR EAST LIMITED, Hong Kong, China
- SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China
- SIMONA America Group Inc., Archbald, USA
- SIMONA Boltaron Inc., Newcomerstown, USA

Michael Schmitz performs supervisory duties within the following companies of the SIMONA Group:
- SIMONA S.A.S., Domont, France
- SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain
- SIMONA POLSKA Sp. z o.o., Wrocław, Poland
- SIMONA America Group Inc., Archbald, USA
- SIMONA Boltaron Inc., Newcomerstown, USA
- Power Boulevard Inc., Archbald, USA
- Industrial Drive Inc., Findlay, USA
- SIMONA Stadpipe AS, Stadlandet, Norway
- SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Düzce, Türkiye
- SIMONA PEAK Pipe Systems Limited, Chesterfield, United Kingdom

Dr. Jochen Hauck performs supervisory duties within the following companies of the SIMONA Group:
- SIMONA UK Ltd., Stafford, United Kingdom
- SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain
- SIMONA POLSKA Sp. z o.o., Wrocław, Poland
- SIMONA Stadpipe AS, Stadlandet, Norway
- SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Düzce, Türkiye
- SIMONA PEAK Pipe Systems Limited, Chesterfield, United Kingdom

Supervisory Board

Dr. Ing., Dipl.-Wirt. Ing. Klaus F. Erkes, Überlingen
(Chairman)
Chairman of the Managing Board of Zollern GmbH & Co. KG, Sigmaringen (until 31 March 2022)
Other supervisory board mandates:
- Member of the Supervisory Board of Semperit AG, Vienna
- Member of the Supervisory Board of Präzi-Flachstahl AG, Everswinkel
- Member of the Advisory Board of Karl Mayer GmbH & Co. KG, Obertshausen
- Member of the Advisory Board of Karl Mayer Holding GmbH & Co. KG, Obertshausen
- Member of the Advisory Board of Alois Berger Holding GmbH & Co. KG, Memmingen (Chairman since 1 June 2022)
- Member of the Advisory Board of Alois Berger Holding International, Memmingen (Chairman since 1 June 2022)
- President of Unternehmerverband Landkreis Sigmaringen e.V. (until June 2022)

Dr. sc. techn. Roland Reber, Stuttgart, Dipolm-Ingenieur ETH
(Deputy Chairman)
Managing Director of Ensinger GmbH, Nufringen

Roland Frobel, Isernhagen, Tax Consultant
Partner and Managing Director of Frobel Beteiligungs-GmbH, Isernhagen
Managing Director of Reitstall Steinberg GmbH, Neuenkirchen
Managing Director of FRISS Beteiligungsgesellschaft mbH, Isernhagen
Other supervisory board mandates:
- Member of the Supervisory Board (Chairman since 1 July 2022) of Hannover 96 GmbH & Co. KGaA, Hannover
- Member of the Supervisory Board of GBK Beteiligungen AG, Hannover

Martin Bücher, Biberach, Qualified Bank Clerk
Chairman of the Executive Board of Kreissparkasse Biberach, Biberach
Other supervisory board mandates:
- Member of the Advisory Board of BW Global Versicherungsmakler GmbH (until 22 November 2022)
- Deputy Supervisory Board Member of BW Bank
- Member of the Supervisory Board of Öchsle Bahn AG

Andy Hohlreiter, Becherbach,
(Employee Representative), Industrial Mechanic
(Chairman of Works Council)

Markus Stein, Mittelreidenbach,
(Employee Representative), Office Administration
(Deputy Chairman of the Works Council)

Total Management Board compensation

As regards duties performed in 2022, the compensation of the Management Board amounted to €2,420 thousand (previous year: €2,352 thousand), of which the variable compensation components amounted to €1,445 thousand (previous year: €1,424 thousand).

Beyond that, no other compensation or loans were granted.

In addition, please refer to the compensation report in accordance with Section 162 AktG.

Total Supervisory Board compensation

Supervisory Board compensation comprises remuneration in respect of supervisory board duties (€252.5 thousand, previous zyear: €252.5 thousand) and remuneration for committee work performed by Supervisory Board members (€61.7 thousand, previous year: €61.7 thousand). Total Supervisory Board compensation totalled €314.2 thousand in the financial year under review (previous year: €314.2 thousand).

Compensation and pension provisions for former members of the Management Board

Compensation relating to former members of the Management Board amounted to €493 thousand (previous year: €473 thousand).

Full allocations have been made to pension provisions for former members of the Management Board. At 31 December 2022, these amounted to €14,761 thousand (previous year: €14,266 thousand).

SUSTAINABLE GROWTH

Employees

Average number of employees in the financial year:

	2022	2021
Industrial staff	91	93
Clerical staff	246	240
Employees	337	333
School-leavers (apprentices)	53	55
	390	**388**

Appropriation of profits

The Management Board proposes that the unappropriated surplus (“Bilanzgewinn”, i.e. the distributable profit) be appropriated as follows:

	€ ’000
Profit for the year	10,266
Unappropriated retained earnings brought forward	5,857
Appropriation to other revenue reserves in accordance with the Articles of Association	–4,500
Unappropriated surplus	11,623
Dividend (€1.85 per share)	–11,100
Carried forward to new account	**523**

Corporate Governance Code Declaration of Compliance pursuant to Section 161 of the Stock Corporation Act

In accordance with Section 161 AktG, the company filed a Declaration of Conformity on 6 April 2023. It has been made permanently available and publicly accessible to shareholders on its corporate website at https://www.simona.de/en/company/investor-relations/corporate-governance/declaration-of-conformity/

Ownership interests

Reported shareholdings in the company were as follows:

	Voting power as at 31 Dec. 2022 in respect of SIMONA AG in %
Dr. Wolfgang und Anita Bürkle Stiftung, Kirn	31.19
Kreissparkasse Biberach, Biberach	15.04
Dirk Möller, Kirn	11.64
Rossmann Beteiligungs GmbH, Burgwedel	11.42
Regine Tegtmeyer, Nebel	11.25
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn	10.00

Notification of voting rights pursuant to Section 21(1) WpHG

SIMONA Aktiengesellschaft received the following notifications disclosing the most recent status of shareholders in respect of amounts exceeding or falling below reporting thresholds under Section 21(1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG):

On 21 July 2016, Landkreis Biberach, Biberach, Germany, notified the company in accordance with Section 41(4g) WpHG that its voting power in respect of SIMONA AG had increased beyond the threshold of 3 per cent, 5 per cent, 10 per cent and 15 per cent on 2 July 2016 and that at this date its interest was 15.0435 per cent (90,261 voting rights). Of these voting rights, 15.0435 per cent (90,261 voting rights) are attributable to the aforementioned shareholder in accordance with Section 22(1) sentence 1 no. 1 WpHG. Within this context, attributable voting rights are held by the aforementioned party via the following entities under its control whose voting power in respect of SIMONA AG amounts to 3 per cent or more in each case: Kreissparkasse Biberach, Biberach, Germany.

On 10 June 2010, Dr. Wolfgang und Anita Bürkle Stiftung notified the company in accordance with Section 21(1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) that its voting power in respect of SIMONA AG had exceeded the threshold of 15 per cent, 20 per cent, 25 per cent and 30 per cent of the voting rights on 13 May 2010 and that at this date its interest was 30.79 per cent (corresponding to 184,739 voting rights).

On 20 June 2008, Rossmann Beteiligungs GmbH, Burgwedel, notified the company in accordance with Section 21(1) WpHG that its voting power in respect of SIMONA AG had exceeded the threshold of 10 per cent on 16 June 2008 and that at this date its interest was 10.10 per cent (corresponding to 60,584 voting rights).

Group relationship

The separate financial statements are included in the consolidated financial statements of SIMONA AG, Kirn, which prepares the consolidated financial statements for the largest and smallest group of companies. The consolidated financial statements have been filed with the District Court Bad Kreuznach, Commercial Register No. HRB 1390.

Audit fees
As the total auditor fee has been accounted for in the consolidated financial statements of SIMONA AG, the relief clause stipulated under Section 285 no. 17 HGB has been applied by the company.

Events after the reporting period
There were no significant events subsequent to the end of the reporting period.

Responsibility Statement
To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report that has been combined with the Group management report of SIMONA Aktiengesellschaft, Kirn, includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Kirn, 17 April 2023

SIMONA Aktiengesellschaft
The Management Board

Matthias Schönberg Dr. Jochen Hauck Michael Schmitz

SUSTAINABLE GROWTH

STATEMENT OF CHANGES IN FIXED ASSETS OF SIMONA AG FOR THE FINANCIAL YEAR 2022

€ '000	COST OF PRUCHASE/PRODUCTION					
	01/01/ 2022 € '000	Currency translation € '000	Additions € '000	Disposals € '000	Reclassifica-tions € '000	**31/12/ 2022 € '000**
I. Intangible assets						
Industrial property rights and similar rights and assets as well as licences in such rights and assets	8,271	0	330	1,246	1,023	8,378
II. Property, plant and equipment	4,391	184	6	0	0	4,580
1. Land, land rights and buildings	1,413	0	0	56	0	1,357
2. Technical equipment and machinery	15,717	27	1,035	2,888	2,987	16,877
3. Other equipment, operating and office equipment	4,025	0	1,054	0	–4,010	1,068
4. Prepayments and assets under construction	25,545	211	2,095	2,944	–1,023	23,883
III. Financial assets						
1. Investments in affiliated companies	131,910	0	47,693	0	0	179,603
2. Loans to affiliated companies	35,036	–4	4,303	7,284	0	32,051
3. Other long-term equity investments	23	0	0	0	0	23
	166,968	**–4**	**51,996**	**7,284**	**0**	**211,677**
	200,784	**207**	**54,421**	**11,474**	**0**	**243,938**

ACCUMULATED DEPRECIATION/AMORTISATION/WRITE-DOWNS						NET CARRYING AMOUNTS	
01/01/ 2022 € '000	Currency translation € '000	Additions € '000	Reversals of write-downs € '000	Disposals € '000	**31/12/ 2022 € '000**	**31/12/ 2022 € '000**	31/12/ 2021 € '000
8,124	0	332	0	1,246	7,210	1,167	147
627	31	89	0	0	746	3,834	3,764
984	0	66	0	52	998	359	429
11,618	19	1,237	0	2,848	10,025	6,852	4,099
0	0	0	0	0	0	1,068	4,025
13,228	50	1,392	0	2,900	11,770	12,114	12,317
0	0	25	0	0	25	179,578	131,910
6	0	0	0	0	6	32,046	35,030
0	0	0	0	0	0	23	23
6	**0**	**25**	**0**	**0**	**31**	**211,647**	**166,963**
21,357	**50**	**1,750**	**0**	**4,147**	**19,011**	**224,928**	**179,427**

SUSTAINABLE GROWTH

DETAILS OF SHAREHOLDINGS OF SIMONA AG FOR THE FINANCIAL YEAR 2022

Company	Ownership interest	Equity	Result of last financial year
	%	€ ’000	€ ’000
Directly			
SIMONA Beteiligungs-GmbH, Kirn (*)	100.0	1,834	0
SIMONA Sozialwerk GmbH, Kirn (**)	50.0	10,631	–767
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn (**)	50.0	415	589
SIMONA Kirn Produktion GmbH & Co. KG, Kirn	100.0	24,960	746
SIMONA Kirn Management GmbH, Kirn	100.0	25	–1
SIMONA Produktion Ringsheim GmbH & Co. KG, Ringsheim	100.0	5,947	382
SIMONA Ringsheim Management GmbH, Ringsheim	100.0	24	–1
SIMONA Immobilien GmbH & Co. KG, Kirn	100.0	17,223	3,128
SIMONA Immobilien Management GmbH, Kirn	100.0	27	–0
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic	100.0	22,341	2,161
SIMONA Stadpipe AS, Stadlandet, Norway	74.9	8,305	105
SIMONA Stadpipe Eiendom AS, Stadlandet, Norway	100.0	1,446	82
SIMONA POLSKA Sp. z o.o., Wrocław, Poland	100.0	1,884	927
DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland	51.0	1,878	870
SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Düzce, Türkiye	70.0	16,121	–2,932
SIMONA PEAK Pipe Systems Limited, Chesterfield, United Kingdom	70.0	46,836	3,821
OOO SIMONA RUS, Moscow, Russian Federation (in liquidation)	100.0	490	–633
SIMONA America Group Inc., Archbald , USA	100.0	73,760	13,953
SIMONA ASIA LIMITED, Hong Kong, China	100.0	4,052	420
SIMONA FAR EAST LIMITED, Hong Kong, China (in liquidation)	100.0	92	–20
SIMONA INDIA PRIVATE LIMITED, Mumbai, India	99.99	748	537

Company	Ownership interest	Equity	Result of last financial year
	%	€ ’000	€ ’000
Directly			
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain	100.0	782	311
SIMONA S.A.S., Domont, France	100.0	1,101	737
SIMONA S.r.l., Vimodrone, Società UNIPERSONALE, Cologno Monzese (MI), Italy	100.0	957	556
SIMONA UK Ltd., Stafford, United Kingdom	100.0	4,826	846
POWER BOULEVARD INC., Archbald, USA	100.0	8,229	–16
SIMONA Boltaron Inc., Newcomerstown, USA	100.0	55,283	3,463
CARTIERWILSON, LLC, Marietta, USA (***)	25.0	596	1,908
SIMONA ENGINEERING PLASTICS (Guangdong) Co.Ltd., Jiangmen, China	100.0	11,821	–9
SIMONA INDIA PRIVATE LIMITED, Mumbai, India	0.01	748	537
SIMONA PMC, LLC, Findlay, USA	100.0	8,566	4,945
Industrial Drive Inc., Findlay, USA	100.0	1	0
SIMONA AMERICA Industries, LLC, Archbald, USA	100.0	44,403	16,954
SIMONA ASIA PACIFIC PTE. LTD., Singapore	100.0	–687	29

* Control and profit transfer agreement with SIMONA AG
** financial data 2021
*** Preliminary financial data

SUSTAINABLE GROWTH

REPRODUCTION OF THE AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To SIMONA Aktiengesellschaft, Kirn

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of SIMONA Aktiengesellschaft, Kirn, which comprise the balance sheet as at 31 December 2022, and the statement of profit and loss for the financial year from 1 January to 31 December 2022 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Simona Aktiengesellschaft, which is combined with the group management report, for the financial year from 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of the management report referred to in the subsection "Other Information" of our audit opinion.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2022 and of its financial performance for the financial year from 1 January to 31 December 2022 in compliance with German Legally Required Accounting Principles and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the management report referred to in the subsection "Other Information" of our audit opinion.

Pursuant to § 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:
1. Measurement of shares in affiliated companies and loans to these affiliated companies

Our presentation of this key audit matter has been structured as follows:
1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matter:

1. Measurement of shares in affiliated companies and loans to these affiliated companies

1. In the annual financial statements of the Company shares in affiliated companies amounting to € 179.6 million are reported under the ["Financial assets"] balance sheet item. In addition, loans to these affiliated companies amounting to € 32.0 million are reported. Together, the carrying amount of the total engagement amounts to € 211.6 million (60.1 % of total assets). Shares in affiliated companies and loans are measured in accordance with German commercial law at the lower of cost and fair value. The fair values are calculated based on based on present values of the expected future cash flows according to the planning projections prepared by the executive directors using discounted cash flow models . Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the individually determined cost of capital for the relevant affiliated company. On the basis of the values determined and supplementary documentation, write-downs amounting in total to k€ 25 were required for the financial year.

   The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors of the future cash flows, and on the respective discount rates and rates of growth used. The valuation is therefore subject to material uncertainties. Against this background and due to the highly complex nature of the valuation and its material significance for the Company's assets, liabilities and financial performance, this matter was of particular significance in the context of our audit.

2. As part of our audit, we assessed the methodology used by the Company for the purposes of the valuation of shares in affiliated companies and loans to these affiliated companies, among other things. In particular, we assessed whether the fair values had been appropriately determined based on discounted cash flow models in compliance with the relevant measurement standards. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as on the executive directors' detailed explanations regarding the key value drivers underlying the expected cash flows. In the knowledge that even relatively small changes in the discount rate and rates of growth applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. Finally, we evaluated whether the values calculated in this way were properly compared against the carrying amount in order to determine any write-downs or reversals of write-downs.

   In our view, taking into consideration the information available, the valuation parameters and underlying assumptions used by the executive directors are appropriate overall for the purpose of appropriately measuring the shares in affiliated companies and loans to these affiliated companies.

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3. The Company’s disclosures relating to the financial investment and loans to affiliated companies are contained in section “Details of shareholding” and “Loans to affiliated companies” of the notes to the financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following other information, which we obtained prior to the date of our auditor’s report, as an unaudited part of the group management report:

- the information contained in the subsection “Appropriateness and effectiveness of the overall internal control and risk management system” of section “3. Report on Opportunities and risks” of the group management report, which is marked as unaudited

- the non-financial statement on compliance with §§ 289b to 289e HGB and with §§ 315b to 315c HGB contained in section “6. Non-financial statement pursuant to section 289b and section 315b HGB” of the group management report

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements 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. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company’s position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company’s financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor’s Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

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 whether the management report as a whole provides an appropriate view of the Company’s position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, 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 audit opinions. 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 controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors’ 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 the auditor’s report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. 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 be able 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 present the underlying transactions and events in a manner that the annual financial statements 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.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company’s position it provides.

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- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance on the Electronic Rendering of the Annual Financial Statements and the Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the electronic file Simona_AG_JA+LB_ESEF-2022-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the annual financial statements and the management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Annual Financial Statements and on the Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the annual financial statements and the management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with

§ 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the annual financial statements and the management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF-documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the annual financial statements on the technical specification for this electronic file.

- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited annual financial statements and to the audited management report.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 10 June 2022. We were engaged by the supervisory board on 22 November 2022. We have been the auditor of the Simona Aktiengesellschaft, Kirn, without interruption since the financial year 2013.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

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REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited annual financial statements and the audited management report as well as the assured ESEF documents. The annual financial statements and the management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Annual Financial Statements and the Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Guido Tamm.

Frankfurt am Main, April 17, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Sgd. Guido Tamm	sgd. ppa. Richard Gudd
Wirtschaftsprüfer	Wirtschaftsprüfer
(German public auditor)	(German public auditor)

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