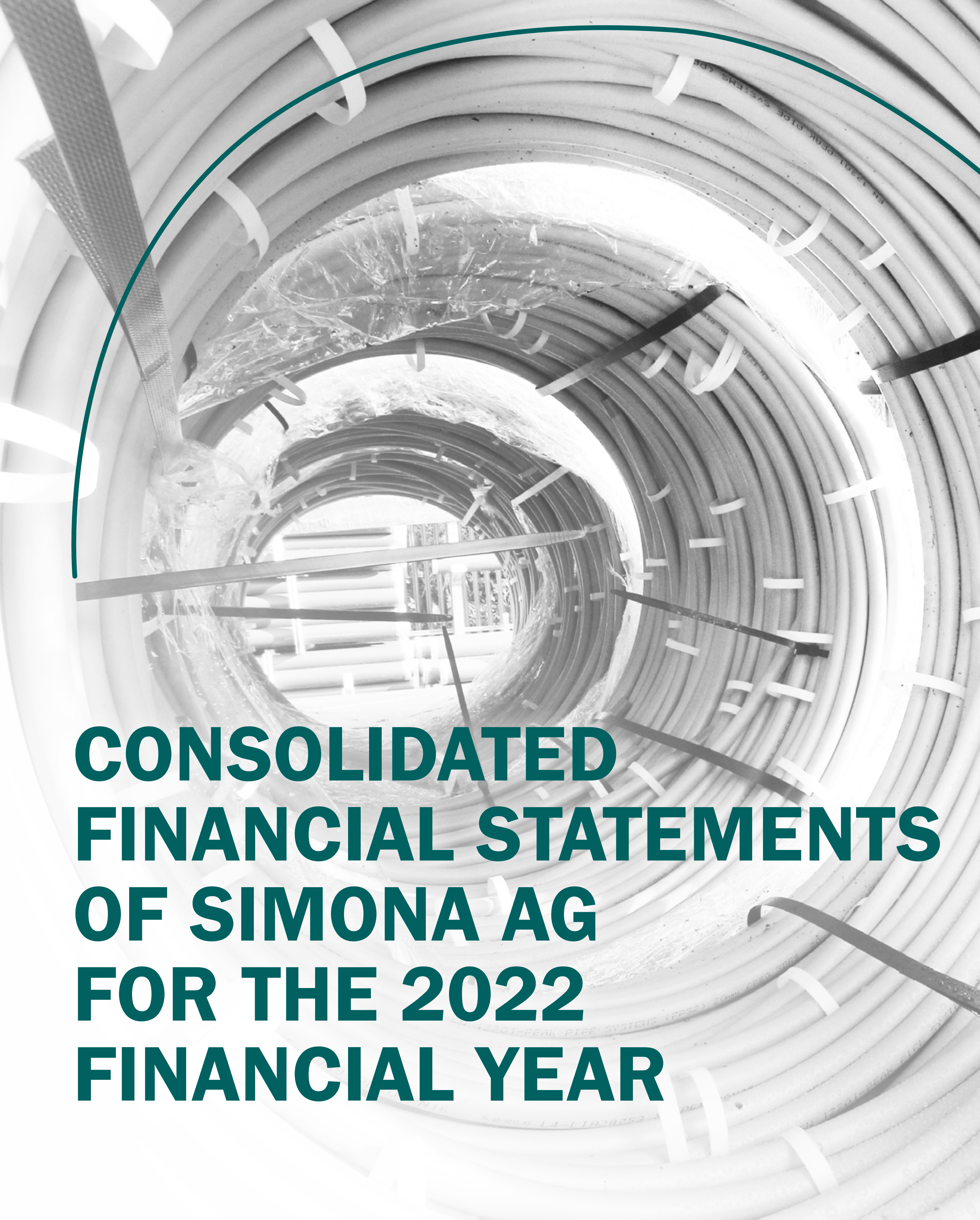
SIMONA

SUSTAIN ABLE GROWTH

CONSOLIDATED FINANCIAL STATEMENTS 2022



CONSOLIDATED FINANCIAL STATEMENTS OF SIMONA AG FOR THE 2022 FINANCIAL YEAR

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).

SUSTAINABLE GROWTH

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-

SUSTAINABLE GROWTH

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.

SUSTAINABLE GROWTH

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.

SUSTAINABLE GROWTH

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.

SUSTAINABLE GROWTH

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.

SUSTAINABLE GROWTH

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

SUSTAINABLE GROWTH

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.

CONSOLIDATED FINANCIAL STATEMENTS
OTHER DETAILS

SUSTAINABLE GROWTH

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.

SUSTAINABLE GROWTH

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.

SUSTAINABLE GROWTH

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

SUSTAINABLE GROWTH

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.

SUSTAINABLE GROWTH

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.

SUSTAINABLE GROWTH

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.

SUSTAINABLE GROWTH

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

GROUP INCOME STATEMENT OF SIMONA AG

in € '000	Notes	01/01/ – 31/12/2022	01/01/ – 31/12/2021
Revenue	[7]	712,068	544,539
Other income	[8]	6,559	9,708
Changes in inventories of finished goods and work in progress		10,796	9,458
Cost of materials	[9]	425,314	317,305
Staff costs	[10]	113,358	95,310
Amortisation/write-downs of intangible assets and depreciation/write-downs of property, plant and equipment as well as right-of-use assets under leases	[17, 18, 19]	21,490	18,630
Other expenses	[12]	115,206	81,600
Earnings before interest and taxes (EBIT)		**54,055**	**50,860**
Finance income	[13]	8,186	3,309
Finance cost	[13]	9,518	5,167
Income from investments accounted for using the equity method	[20]	477	337
Earnings before taxes (EBT)		**53,201**	**49,339**
Income taxes	[14]	15,788	12,842
Profit for the period		**37,413**	**36,497**
Of which attributable to:			
Owners of the parent company		37,839	37,020
Non-controlling interests		–427	–523

EARNINGS PER SHARE

in €			
- basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[15]	6.31	6.49
- diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[15]	6.31	6.49

GROUP STATEMENT OF COMPREHENSIVE INCOME OF SIMONA AG

in € '000	Notes	01/01/ – 31/12/2022	01/01/ – 31/12/2021
Profit for the period		**37,413**	**36,497**
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations	[27, 28]	64,131	40,536
Deferred taxes on remeasurement of defined benefit obligations	[14]	–18,914	–11,955
Items that may be reclassified subsequently to profit or loss:			
Exchange differences relating to currency translation	[25, 31]	1,336	6,170
Deferred taxes from currency translation	[14]	–34	–408
Other comprehensive income recognised directly in equity		**46,519**	**34,343**
Total comprehensive income		**83,932**	**70,840**
Of which attributable to:			
Owners of the parent company		84,359	71,363
Non-controlling interests		–427	–523

SUSTAINABLE GROWTH

GROUP STATEMENT OF FINANCIAL POSITION OF SIMONA AG

ASSETS

in € '000	Notes	31/12/2022	31/12/2021
Intangible assets	[17]	96,166	55,456
Property, plant and equipment	[18]	176,801	154,941
Financial assets	[34]	281	598
Investments accounted for using the equity method	[20]	1,076	977
Derivative financial instruments	[35]	408	0
Right-of-use assets under leases	[19]	8,593	2,029
Deferred tax assets	[14]	8,976	17,753
NON-CURRENT ASSETS		**292,300**	**231,754**
Inventories	[21]	144,439	120,948
Trade receivables	[22]	88,863	82,363
Other assets	[23]	15,950	10,913
Income tax assets	[23]	13,520	8,172
Other financial assets	[34]	304	300
Cash and cash equivalents	[24, 31]	65,716	54,055
CURRENT ASSETS		**328,793**	**276,751**
Total assets		**621,093**	**508,505**

EQUITY AND LIABILITIES

in € '000	Notes	31/12/2022	31/12/2021
Equity attributable to owners of the parent company			
Issued capital		15,500	15,500
Capital reserves		40,627	15,274
Revenue reserves		304,093	219,120
Other reserves		8,455	6,580
Treasury shares		0	–597
		368,675	**255,877**
Non-controlling interests		7,730	6,161
EQUITY	[25]	**376,405**	**262,038**
Financial liabilities	[26]	36,358	5,005
Provisions for pensions	[27, 28]	47,529	133,806
Other provisions	[29]	5,657	4,082
Liabilities under leases	[19]	7,159	1,181
Other financial liabilities	[26]	11,119	12,048
Deferred tax liabilities	[14]	33,268	14,921
NON-CURRENT LIABILITIES		**141,090**	**171,042**
Financial liabilities	[26]	32,592	8,920
Provisions for pensions	[27]	1,945	1,872
Other provisions	[29]	1,867	2,115
Trade payables		32,634	34,326
Income tax liabilities		6,472	4,086
Liabilities under leases	[19]	1,497	880
Other financial liabilities	[26]	2,818	3,038
Other liabilities	[30]	23,773	20,189
CURRENT LIABILITIES		**103,598**	**75,425**
Total equity and liabilities		**621,093**	**508,505**

SUSTAINABLE GROWTH

GROUP STATEMENT OF CASH FLOWS OF SIMONA AG

in € ’000	Notes	01/01-31/12/2022	01/01-31/12/2021
Earnings before taxes		53,201	49,339
Income taxes paid		–13,654	–18,038
Finance income and cost (excl. interest expense relating to pensions)	[13]	751	–248
Amortisation/write-downs of intangible assets and depreciation/write-downs of property, plant and equipment as well as right-of-use assets under leases property, plant and equipment as well as right-of-use assets under leases	[17, 18, 19]	21,490	18,630
Other non-cash expenses and income		4,658	111
Result from disposal of non-current assets		374	493
Change in inventories	[21]	–19,390	–33,724
Change in trade payables	[22]	–1,497	–22,953
Change in other assets	[23]	–5,401	–3,877
Change in pension provisions	[27, 28]	895	1,524
Change in liabilities and other provisions	[29, 30]	–1,095	23,225
Net cash from operating activities		**40,330**	**14,482**
Investments in intangible assets and property, plant and equipment	[17, 18]	–34,573	–24,985
Acquisition of subsidiaries and and other business units less net cash acquired		–37,687	–15,396
Proceeds from the disposal of non-current assets		896	316
Proceeds from disposals of financial assets		300	98
Interest received		946	161
Net cash used in investing activities		**–70,117**	**–39,806**
Proceeds from borrowings		59,808	5,475
Repayment of financial liabilities	[26]	–5,470	–5,010
Repayment of lease liabilities	[19]	–1,655	–1,062
Payment of prior-year dividend	[16]	–9,690	–6,840
Payment of dividends to non-controlling interests		–109	–85
Interest paid and similar expenses		–1,701	–291
Net cash from/used in financing activities		**41,183**	**–7,813**
Effect of foreign exchange rate changes on liquidity	[31]	265	1,843
Change in cash and cash equivalents		**11,661**	**–31,294**
Cash and cash equivalents at 1 January	[24, 31]	54,055	85,349
Cash and cash equivalents at 31 December	[24, 31]	65,716	54,055
Change in cash and cash equivalents		**11,661**	**–31,294**

GROUP STATEMENT OF CHANGES IN EQUITY OF SIMONA AG

in € '000	Notes	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY						NON-CONTROLLING INTERESTS	TOTAL EQUITY
		Issued capital	Capital reserves	Revenue reserves	Other reserves	Treasury shares IFRS	Total		
					Currency translation differences				
	Notes	[25]	[25]		[25]			[25]	
Balance at 01/01/2021		**15,500**	**15,274**	**163,142**	**818**	**–597**	**194,137**	**2,612**	**196,749**
Amount recognised directly in equity as part of the Statement of Comprehensive Income		0	0	28,581	5,762	0	34,343	0	34,343
Profit for the period		0	0	37,020	0		37,020	–523	36,497
Total comprehensive income		**0**	**0**	**65,601**	**5,762**	**0**	**71,363**	**–523**	**70,840**
Dividend payment	[16]	0	0	–6,840	0	0	–6,840	–85	–6,925
Changes in the scope of consolidation	[35]	0	0	6	0	0	6	4,261	4,267
Other changes		0	0	–2,789	0	0	–2,789	–104	–2,893
Balance at 31/12/2021		**15,500**	**15,274**	**219,120**	**6,580**	**–597**	**255,877**	**6,161**	**262,038**
Balance at 01/01/2022		**15,500**	**15,274**	**219,120**	**6,580**	**–597**	**255,877**	**6,161**	**262,038**
Amount recognised directly in equity as part of the Statement of Comprehensive Income		0	0	45,217	1,302	0	46,519	0	46,519
Profit for the period		0	0	37,839	0	0	37,839	–427	37,413
Total comprehensive income		**0**	**0**	**83,057**	**1,302**	**0**	**84,359**	**–427**	**83,932**
Dividend payment	[16]	0	0	–9,690	0	0	–9,690	–179	–9,869
Changes in the scope of consolidation	[25]	0	0	3,999	0	0	3,999	0	3,999
Financial Reporting in Hyperinflationary Economies IAS 29		0	0	5,988	0	0	5,988	2,566	8,554
Allocation plan assets with treasury shares		0	25,353	0	00	597	25,950	0	25,950
Other changes		0	0	1,619	571	0	2,190	–391	1,799
Balance at 31/12/2022		**15,500**	**40,627**	**304,093**	**8,455**	**0**	**368,675**	**7,730**	**376,405**

SUSTAINABLE GROWTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF SIMONA AG

[1] COMPANY INFORMATION

SIMONA AG is a stock corporation (Aktiengesellschaft) founded in Germany – registered office at Teichweg 16, 55606 Kirn, Germany. Its shares are traded within the General Standard of the Frankfurt and Berlin Stock Exchanges. The company has been entered in the Commercial Register at the District Court of Bad Kreuznach (HRB 1390). The consolidated financial statements of SIMONA AG for the financial year ended 31 December 2022 were released by the Management Board on the basis of a resolution of 17 April 2023 for the purpose of forwarding them to the Supervisory Board.

The activities of the SIMONA Group mainly include the production and sale of semi-finished products in the form of sheets, rods, welding rods and profiles as well as pipes and fittings made of thermoplastics. The Group's business activities also involve planning, producing and installing piping systems used in the aquaculture industry.

Semi-finished products are manufactured at the plant in Kirn (Germany), in Archbald, Newcomerstown and Findlay (USA), in Jiangmen (China) and in Düzce (Turkey, hereinafter referred to as "Türkiye"). Pipes and fittings are produced at the plants in Ringsheim (Germany) and Chesterfield (UK). The plant in Litvinov (Czech Republic) manufactures semi-finished products, pipes and fittings. Components for aquaculture piping systems are manufactured in Stadlandet (Norway). The products are marketed under the joint SIMONA brand as well as a range of separate brands.

SIMONA AG operates a sales office in Möhlin, Switzerland, and is the ultimate controlling parent of the Group.

Additionally, sales and distribution activities are conducted by the following subsidiaries:

Company	Registered office, country
SIMONA UK Ltd.	Stafford, United Kingdom
SIMONA S.A.S.	Domont, France
SIMONA S.r.l. Società UNIPERSONALE	Cologno Monzese (MI), Italy
SIMONA IBERICA SEMIELABORADOS S.L.	Barcelona, Spain
SIMONA POLSKA Sp. z o.o.	Wrocław, Poland
DEHOPLAST POLSKA Sp. z o.o.	Kwidzyn, Poland
SIMONA Plast-Technik s.r.o.	Litvinov, Czech Republic
SIMONA ASIA LIMITED	Hong Kong, China
SIMONA ENGINEERING PLASTICS (Guangdong) Co., Ltd.	Jiangmen, China
SIMONA AMERICA Industries LLC	Archbald, USA
SIMONA Boltaron Inc.	Newcomerstown, USA
SIMONA PMC, LLC	Findlay, USA
SIMONA INDIA PRIVATE LIMITED	Mumbai, India
SIMONA Stadpipe AS	Stadlandet, Norway
SIMONA PLASTECH Levha Sanayi Anonim Şirketi	Düzce, Türkiye
SIMONA PEAK Pipe Systems Limited	Chesterfield, United Kingdom

[2] ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements are prepared using the historical cost principle, unless otherwise specified under [5] Summary of material accounting policies. The consolidated financial statements are prepared in euro. Unless otherwise stated, all amounts are rounded to € '000. For computational reasons, the tables presented in this document may include rounding differences equivalent to +/- one unit (€, %, etc.).

Statement of compliance with IFRS

The consolidated financial statements of SIMONA AG and the entities included in the consolidated group for the period ended 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the end of the reporting period, as adopted by the European Union, and the provisions of commercial law to be applied additionally pursuant to Section 315e(1) of the German Commercial Code (Handelsgesetzbuch – HGB).

The term “IFRS” comprises all International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) to be applied on a mandatory basis as at the reporting date. Additionally, all interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) – formerly Standing Interpretations Committee (SIC) – were applied insofar as their application was mandatory for the financial year under review.

The consolidated financial statements consist of the financial statements of SIMONA AG and its subsidiaries as at 31 December of each financial year (hereinafter also referred to as “Group” or “SIMONA Group”).

The Group statement of financial position conforms with the presentation requirements of IAS 1 and is structured according to the current/non-current classification of assets and liabilities in accordance with Accounting Interpretation 1 (AIC 1, The Current/Non-current Classification in the Balance Sheet under IAS 1).

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

Various items reported in the income statement and the statement of financial position have been aggregated for the purpose of improving the overall clarity of presentation. These items are disclosed and discussed separately in the notes to the consolidated financial statements.

Principles of consolidation

The consolidated financial statements comprise the accounts of SIMONA AG and its subsidiaries for each financial year ended 31 December. The financial statements of SIMONA AG and the subsidiaries are prepared using uniform accounting policies for the same reporting period.

All intragroup balances (receivables, liabilities, provisions), transactions, income and expenses as well as profits and losses from transactions between consolidated entities (“intercompany profits/losses”) are eliminated as part of consolidation.

Subsidiaries are fully consolidated effective from the acquisition date, which is the date on which the Group effectively obtains control. Inclusion in the consolidated financial statements ends as soon as the parent ceases to control the subsidiary. Changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interests are disclosed separately in the Group income statement and within equity of the Group statement of financial position.

Exemption according to Section 264b HGB

Under Section 264b HGB, SIMONA Produktion Kirn GmbH & Co. KG, Kirn, and SIMONA Produktion Ringsheim GmbH & Co. KG, Ringsheim, are exempt from their obligation to prepare, have audited and disclose a management report in accordance with German commercial law pursuant to the provisions applicable to corporations.

[3] NEW FINANCIAL REPORTING STANDARDS

3.1 Accounting standards to be applied for the first time in the financial year

As regards new standards, interpretations and amendments, SIMONA will generally apply for the first time those that were mandatory, i.e. those that are applicable to financial years beginning on or before 1 January 2022.

On 14 May 2020, the IASB published amendments to several IFRS standards. The amendments concern the following standards: IFRS 3 “Business Combinations” – Reference to the Conceptual Framework; IAS 16 “Property, Plant and Equipment” – Proceeds before Intended Use. The amendments specify that income

SUSTAINABLE GROWTH

earned during the period in which an item of property, plant and equipment is brought to its location or to its working condition may not be deducted from the acquisition or construction cost. In addition, there were amendments in connection with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” – Onerous Contracts, Cost of Fulfilling a Contract. The amendment clarifies that when assessing whether contracts are onerous the direct costs of fulfilling a contract shall include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. In addition, the annual “Improvements to IFRS 2018-2020” were published with minor amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41. All amendments came into force on 1 January 2022, with different transitional provisions. The amendments were incorporated into EU law on 02 July 2021 and are mandatory for financial years beginning on or after 1 January 2022.

None of the amendments had a material impact on the presentation of the financial performance, financial position and cash flows of the SIMONA Group.

3.2 Standards and interpretations not yet applicable in the financial year

The SIMONA Group is currently in the process of implementing the requirements for first-time application of the following new or amended standards and interpretations, application of which is not mandatory until subsequent financial years. Early application is not planned. From the present perspective, SIMONA anticipates that the consolidated financial statements will be affected as presented below.

3.3 Standards, interpretations and amendments published and incorporated into European law by the EU Commission

The IASB adopted amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors on 12 February 2021. The objective of the amendments to IAS 1 is to improve the quality of financial reporting by requiring an entity to disclose its material accounting policy information rather than its significant accounting policies. Accounting policy information is material if such information is necessary to understand other material information in the financial statements. This is likely to apply to accounting policy information that relates to material transactions, other events or conditions in respect of the entity. The amendments to IAS 8 relate to the definition of accounting estimates. They include clarifications to better distinguish between accounting policies and accounting estimates. Both amendments were incorporated into EU law on 3 March 2022 and are mandatory for financial years beginning on or after 1 January 2023. Earlier application of the amendments is permitted. The amendments to IAS 1 and IAS 8 are not likely to have a material impact on the presentation of the financial performance, financial position and cash flows of the SIMONA Group.

On 7 May 2021, the IASB published amendments to IAS 12 “Income Taxes”. The current prohibition with regard to the recognition of deferred taxes when an asset or liability is recognised for the first time shall no longer apply to transactions in which both deductible and taxable temporary differences arise in the same amount. The exemption applies to narrowly defined cases, for example leases and decommissioning/restoration obligations. If deductible and taxable temporary differences of the same amount arise, both deferred tax assets and deferred tax liabilities must be recognised. The amendments were incorporated into EU law on 12 August 2022 and are effective for reporting periods beginning on or after 1 January 2023. Early application is permitted. The effects of the application of the amendments to IAS 12 on the presentation of the financial position, financial performance and cash flows of the SIMONA Group are unlikely to be material.

3.4 Standards, interpretations and amendments published but not yet incorporated into European law by the EU Commission

Statements” regarding the classification of liabilities as current or non-current. Liabilities are classified as non-current if, at the end of the reporting period, the entity has a substantive right to defer settlement of the liability for at least twelve months at the end of the reporting period. The original first-time application of the amendments to IAS 1 as at 1 January 2022 was postponed by one year by the IASB on 15 July 2020. The amendments are therefore mandatory from 1 January 2023. Early application is permitted but is subject to EU endorsement. The effects of applying the new classification of liabilities as current or non-current on the presentation of the financial position, financial performance and cash flows of the SIMONA Group are currently being analysed.

On 22 September 2022, the IASB published amendments to IFRS 16 "Leases". The amendments relate to the accounting for lease liabilities in sale-and-leaseback transactions. The amendment to IFRS 16 requires the lease liability to be measured so that no gain or loss arises on its subsequent measurement in respect of the retained right of use. The amendments are mandatory as from 1 January 2024. Early application is permitted but is subject to EU endorsement. The amendments to IFRS 16 are not likely to have a material impact on the presentation of the financial performance, financial position and cash flows of the SIMONA Group.

The IASB published amendments to IAS 1 "Presentation of Financial Statements" on 31 October 2022. The amendments relate to the classification of liabilities (as current or non-current) for which certain loan-related covenants have been agreed. The amendments specify that only those covenants that an entity must comply with on or before the reporting date shall affect the classification of a liability as current or non-current. In addition, the amendments provide for additional disclosure requirements in respect of non-current liabilities with covenants. The disclosures are intended to enable investors to assess the risk that a non-current liability could become repayable within twelve months, including the following information: carrying amount of the liability, nature of the covenants, period for which the covenants apply. The amendments to IAS 1 shall apply for financial years beginning on or after 1 January 2024. Early application is permitted. The amendments are not likely to have a material impact on the presentation of the financial performance, financial position and cash flows of the SIMONA Group.

3.5 Global minimum tax – Global Anti-Base Erosion Rules (GloBE)

The OECD is currently working on the introduction of a global minimum tax (OECD – Pillar 2). The rules are designed to ensure that the income of multinational corporations with annual revenues of €750 million or more is subject to a minimum tax rate of 15 per cent. As a group of companies that may potentially be affected by these rules, the SIMONA Group is monitoring developments relating to the introduction of a global minimum tax, analysing the existing regulations and drafts with regard to their impact on the Group and working on the necessary adjustments to tax reporting processes. As the rules have not yet been finally transposed into local law, the process of impact analysis has not yet been completed. An assessment of the financial impact has therefore not yet been made.

[4] MATERIAL JUDGEMENTS AND ESTIMATES

When applying the accounting policies, the management made the following judgements and estimates with the most significant effect on the amounts recognised in the financial statements.

They relate to the classification of leases, the recognition of provisions, the estimation or assessment of the recoverability or possible impairment of trade receivables, inventories and deferred tax assets, as well as the assessment of factors that may indicate an impairment of assets.

Material estimates include the useful lives of intangible assets, property, plant and equipment and right-of-use assets.

The following section outlines the most important forward-looking assumptions as well as other material uncertainty regarding the use of estimates, applicable at the end of the reporting period, as a result of which there is a significant risk that the carrying amounts of assets and liabilities may require material adjustments within the coming financial year.

SUSTAINABLE GROWTH

The Group performs impairment tests for goodwill at least once per year. This requires estimates to be made with regard to the value in use of cash-generating units ("CGU") to which goodwill is allocated. For the purpose of estimating the value in use, the Group has to determine, on the basis of estimates, the projected cash flows associated with the cash-generating unit, as well as selecting an appropriate discount rate in order to determine the present value of the aforementioned cash flows.

The Group determines at the end of each reporting period whether there are observable indications that a non-financial asset or group of non-financial assets is impaired. For the purpose of determining the value in use, the future expected cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An appropriate valuation model is applied for the purpose of determining the fair value. The Group bases its impairment tests on detailed budget calculations that are prepared separately for each cash-generating unit. Budget planning spans a period of four years. As regards periods beyond this time frame, long-term growth rates are determined and applied to the projection of future cash flows beyond four years.

The Group determines at the beginning of each year whether the assumptions regarding the incremental borrowing rate in leases are still valid.

Deferred tax assets are recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The process of determining the level of deferred tax assets requires material judgement by the management with regard to the timing and amount of future taxable profit as well as the future tax planning strategies. For further details, please refer to Note [14].

Provisions are recognised in accordance with the accounting policies discussed in Note [29]. In determining the level of provisions, the management is required to make significant judgements as to the timing and the amounts of future outflow of resources.

Expenses relating to defined benefit plans are determined on the basis of actuarial methods. Actuarial valuation is conducted on the basis of assumptions that include discount rates, expected salary and pension increases as well as mortality rates. The assumptions used as a basis of valuations may differ from actual developments due to changing market, economic and social conditions. Any change in these assumptions will have an impact on the carrying amounts of pension obligations. For further details, please refer to Note [27] and [28].

Estimates and judgements may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses presented in respect of the reporting period. Owing to the currently unforeseeable global impact of the war in Ukraine, high inflation, disrupted supply chains and geopolitical risks, these estimates and judgements are subject to heightened uncertainty. The actual amounts may differ from the estimates and judgements made; changes may have a material impact on the consolidated financial statements. When updating the estimates and judgements, information available in respect of expected economic trends and country-specific government measures were taken into account. This information was included in the impairment testing of financial assets, especially trade receivables and financial investments as well as inventories. In addition, impairment tests were carried out for the cash-generating units, which confirmed the recoverability of the respective underlying carrying amounts.

[5] SUMMARY OF MATERIAL ACCOUNTING POLICIES

Currency translation

The items accounted for in the respective financial statements are measured on the basis of the functional currency. Foreign currency transactions are translated initially between the functional currency and the foreign currency at the arithmetic mean rate applicable on the day of the transaction. Foreign exchange differences are recognised in the income statement under other income or other expenses, unless they relate to currency effects from financing activities. These are reported in net finance income/costs. This does not include monetary items that have been designated as part of a hedge of a net investment by the Group in a foreign operation. They are recognised in other comprehensive income until disposal of the net investment; the cumulative amount is reclassified in profit and loss only upon disposal. Taxes arising from exchange differences relating to these monetary items are also recognised directly in other comprehensive income.

Non-monetary items that are measured at historical cost of purchase or conversion in a foreign currency are translated at the foreign exchange rate applicable on the day of the transaction. Non-monetary items that are measured at fair value in the foreign currency are translated at the rate that was prevailing at the time the fair value was determined.

In the consolidated financial statements expenses and income associated with financial statements of subsidiaries prepared in a foreign currency – with the exception of financial statements of entities operating in hyperinflationary economies – are translated on the basis of the year-average exchange rate, whereas assets and liabilities are translated on the basis of the closing rate. The financial statements of SIMONA PLASTECH Levha Sanayi Anonim Şirketi are translated in their entirety using the closing rate, as Türkiye has been classified as a hyperinflationary economy and the financial statements are therefore subject to the application of IAS 29. Exchange differences arising from the translation of equity as well as exchange differences arising from the use of exchange rates in the income statement that differ from those used for the translation of items presented in the statement of financial position are recognised in other reserves.

Annual financial statements prepared by the consolidated Group entities in a foreign currency are translated on the basis of the functional currency method. The functional currency is the currency of the primary economic environment in which the entities operate, which in the case of the Group companies of SIMONA AG is the respective local currency. The consolidated financial statements are prepared in euro.

Those foreign entities whose functional currencies differ from the euro have been presented below, together with details of their functional currency:

Company	**Registered office, country**	**Currency**
SIMONA UK Ltd.	Stafford, United Kingdom	Pound Sterling
SIMONA PEAK Pipe Systems Limited	Chesterfield, United Kingdom	Pound Sterling
SIMONA POLSKA Sp. z o.o.	Breslau, Poland	Polish zloty
DEHOPLAST POLSKA Sp. z o.o.	Kwidzyn, Poland	Polish zloty
SIMONA Plast-Technik s.r.o.	Litvinov, Czech Republic	Czech koruna
SIMONA FAR EAST LIMITED (in liquidation)	Hong Kong, China	Hong Kong dollar
SIMONA ASIA LIMITED	Hong Kong, China	Hong Kong dollar
SIMONA AMERICA Industries LLC	Archbald, USA	US Dollar
SIMONA AMERICA Group INC.	Archbald, USA	US Dollar
Power Boulevard Inc.	Archbald, USA	US Dollar
SIMONA Boltaron Inc.	Newcomerstown, USA	US Dollar
SIMONA PMC, LLC	Findlay, USA	US Dollar
Industrial Drive Inc.	Findlay, USA	US Dollar
SIMONA ENGINEERING PLASTICS (Guangdong) Co., Ltd.	Jiangmen, China	Chinese renminbi yuan
OOO SIMONA RUS (in liquidation)	Moscow, Russian Federation	Russian rouble
SIMONA INDIA PRIVATE LIMITED	Mumbai, Indien	Indian rupee
SIMONA ASIA PACIFIC PTE. LTD.	Singapore, Singapore	Singapore dollar
SIMONA Stadpipe AS	Stadlandet, Norway	Norwegian krone
SIMONA Stadpipe Eiendom AS	Stadlandet, Norway	Norwegian krone
SIMONA PLASTECH Levha Sanayi Anonim Şirketi	Düzce, Türkiye	Turkish lira

SUSTAINABLE GROWTH

Accounting in hyperinflationary economies

Based on data published by the International Monetary Fund in April 2022, Türkiye has been classified as hyperinflationary since the second quarter of 2022. Therefore, for the first time, the Group has applied IAS 29, Financial Reporting in Hyperinflationary Economies, to the subsidiary in Türkiye as regards these consolidated financial statements. In this context, IAS 29 is applied as if Türkiye had always been hyperinflationary. The financial statements of the aforementioned entity, whose functional currency is the Turkish lira, are adjusted to the current purchasing power at the end of the reporting period. Transactions relating to 2022 and non-monetary items are translated at the end of the reporting period to reflect the current price index at the reporting date. The National Consumer Price Index published by the Turkish Statistical Institute was used in order to make the requisite adjustments for these influencing factors. Its value was 64.27 per cent for the last twelve months as at 31 December 2022. The monetary gain in the amount of €4,774 thousand is recognised in the income statement within net finance income/cost. The three-year cumulative inflation rate in Türkiye was 156.17 per cent as at 31 December 2022. The effect of first-time application of Financial Reporting in Hyperinflationary Economies is recognized in OCI at the date of initial application.

Business combinations

Business combinations are accounted for by applying the acquisition method. The cost of a business combination is calculated as the sum of the consideration transferred, measured at the acquisition-date fair value, and any non-controlling interest in the acquiree. In the case of each business combination, the acquirer measures components of non-controlling interests either at fair value or at the proportionate share in the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses and presented as other expenses.

On first-time recognition, goodwill is measured at cost, being the excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after a further review of the underlying data, the consideration transferred is lower than the fair value of the net assets of the acquired subsidiary, the difference is accounted for in profit and loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, as from the date of acquisition goodwill acquired as part of a business combination is allocated to those cash-generating units of the Group that are expected to benefit from the business combination. This method is applied regardless of whether other assets or liabilities of the acquiree are allocated to these cash-generating units.

Intangible assets

Acquired and internally generated intangible assets are capitalised in accordance with IAS 38 if it is probable that the intangible asset will generate future economic benefits and the costs of the intangible asset can be reliably measured. They are measured at cost of purchase or conversion. Intangible assets with a finite useful life are amortised on the basis of the length of that useful life. Amortisation of intangible assets is performed over a useful life of between three and twenty-five years.

The carrying amounts of intangible assets attributable to a cash-generating unit are tested for impairment as soon as there are indications that the carrying amount of the assets of this cash-generating unit exceeds its recoverable amount. Intangible assets are derecognised upon disposal. Gains and losses arising from the derecognition of an item of property, plant and equipment are determined as the difference between the net disposable proceeds and the carrying amount of the item; these gains and losses are included in profit or loss when the item is derecognised.

The residual values of assets as well as the useful lives and depreciation methods are assessed at the end of each financial year and are adjusted where necessary.

Property, plant and equipment

Property, plant and equipment are used for operational purposes and are measured at cost less depreciation on a systematic basis. Depreciation of property, plant and equipment is performed on a straight-line basis in accordance with the pattern of use of such items. To the extent that depreciable assets of property, plant and equipment have different useful lives, the respective components of these assets are depreciated separately.

The carrying amounts of property, plant and equipment attributable to a cash-generating unit are tested for impairment as soon as there are indications that the carrying amount of the assets of this cash-generating unit exceeds its recoverable amount. Items of property, plant and equipment are derecognised upon disposal. Gains and losses arising from the derecognition of an item of property, plant and equipment are determined as the difference between the net disposable proceeds and the carrying amount of the item; these gains and losses are included in profit or loss when the item is derecognised.

The residual values of assets as well as the useful lives and depreciation methods are assessed at the end of each financial year and are adjusted where necessary.

Leasing

The Group leases land, office, production and warehousing premises, equipment, motor vehicles and industrial trucks. Rental agreements are typically concluded for fixed periods of one to nineteen years but may include extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability in the amount of the present value at the date at which the leased asset is available for use by the Group. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the useful life and the term of the lease agreement.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or an interest rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option
- Lease payments to be made under reasonably certain extension options

The lease payments are discounted using the interest rate implicit in the lease, insofar as it can be determined. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

SUSTAINABLE GROWTH

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs incurred by the lessee,
- estimated costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise IT equipment and small items of office furniture.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, form part of the cost of that asset and are capitalised accordingly. All other borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.

Research and development costs

The research and development activities conducted by SIMONA AG are directed principally at the optimisation of production and manufacturing processes (advancement within the area of process engineering), at changes and improvements to formulae, some of which have been in existence for an extensive period of time, or at fundamental improvements for the purpose of meeting specified quality and inspection requirements, including new testing procedures and new areas of application.

To the extent that research and development activities provide the basis for a product that is technically feasible and from which the Group can generate future economic benefits, the period attributable to general research activities constitutes the major part thereof. The scale of development expenses arising after the product has been made marketable is negligible. In consideration of the principle of materiality the intangible asset is not capitalised in such cases. This approach does not adversely affect the true and fair view of the Group's state of affairs as regards financial performance, financial position and cash flows.

In addition, SIMONA does not capitalise development costs to the extent that costs (expenditure) cannot be reliably allocated to development projects. The costs are recognised as expense in the period in which they are incurred.

As in the previous year, there were no development projects resulting in the capitalisation of intangible assets in the financial year under review.

Impairment of non-financial assets

The Group determines at the end of each reporting period whether there are observable indications that a non-financial asset or group of non-financial assets is impaired. If such indications are present or if an annual impairment test of an asset or a group of assets is required, the Group makes an estimate of the recoverable amount of each asset or of the group of assets. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. Impairment losses are recognised in profit or loss within the expense category that corresponds to the function of the impaired asset.

For the purpose of determining the value in use, the future expected cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group bases its impairment tests on detailed budget and forecasting calculations that are prepared separately for each of the Group's cash-generating units to which individual assets are assigned. Such budget and forecasting calculations generally cover a period of four years. As regards periods beyond this time frame, long-term growth rates are determined and applied to the projection of future cash flows subsequent to the fourth year.

Investments and other financial assets

In accordance with IFRS 9, the classification and measurement of financial assets is determined according to the entity's business model and the characteristics of the cash flows of the financial asset in question. Accordingly, all financial instruments are divided into only two categories: Financial instruments measured at amortised cost (AC – Amortised Cost) and financial instruments measured at fair value: fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). An additional measurement category has been introduced for debt instruments. In future, these may be classified as fair value in other comprehensive income (FVOCI) if the conditions in respect of the business model and the contractual cash flows have been met.

The business model condition refers to how financial assets are used for the purpose of generating income. A distinction is made between collecting contractual cash flows and selling the financial asset. As a third option, a combination of holding and selling is also possible. The business model is determined by an entity's management having considered all relevant information available.

The cash flow condition is met when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The payments should therefore have the character of a basic lending arrangement. Depending on the characteristics of the cash flow and business model conditions, the financial assets are allocated to one of three categories; this provides the basis for subsequent measurement. Reclassification is only possible when an entity changes its business model.

A financial asset can only be measured at amortised cost if the cash flow condition has been met and the business model is based on the collection of interest and principal payments. Therefore, allocation to the amortised cost (AC) category is only possible for debt instruments. By contrast, equity instruments will usually not meet the cash flow condition.

If the cash flow condition has been met and the business model provides for both the sale and collection of contractual payments, the financial asset is allocated to the FVOCI category.

The FVPL category serves as a "catch category" for debt instruments if classification in the two classes is not possible. Derivatives generally belong to this category unless they are designated in a hedging relationship (hedge accounting). This also includes equity instruments if the FVOCI option is not exercised.

Additionally, financial assets can be measured at fair value through profit or loss on a voluntary basis (fair value option). In future, however, this option will be restricted to the elimination of an accounting mismatch. Finally, equity instruments can be irrevocably allocated to the FVOCI category upon initial recognition, provided they are not held solely for trading purposes (FVOCI option).

All regular way purchases or sales of financial assets are accounted for at the date of settlement. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Impairment of financial assets

If in the case of trade receivables there is objective evidence that not all due amounts will be received in accordance with the agreed invoicing terms and conditions (e.g. likelihood of an insolvency or significant financial difficulties of the obligor), the carrying amount is reduced through use of an allowance account. This does not affect impairment in accordance with IFRS 9 on the basis of the expected credit loss model. Receivables are derecognised when they are considered to be uncollectible.

SUSTAINABLE GROWTH

The Group applies the simplified approach as regards the impairment of trade receivables. As regards other financial assets, the Group applies a three-stage impairment model based on changes in credit quality since initial recognition. A financial instrument that is not impaired on initial recognition is classified in Stage 1. Expected credit losses in respect of Stage 1 financial assets are recognised at an amount equal to the proportion of the total expected credit loss over the remaining life of the instrument that is expected to arise as a result of all possible default events over the next twelve months or the remaining life of the financial instrument, whichever is shorter ("twelve-month expected credit loss"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its expected credit losses are measured based on the total expected credit losses over the remaining term to maturity, i.e. until contractual maturity, but taking into account any expected prepayment ("lifetime ECL"). If the Group determines that an asset is impaired, the asset is transferred to Stage 3 and its expected credit losses are measured as lifetime ECLs. The expected credit losses of assets that are already impaired upon addition are always measured as "lifetime ECLs".

Investments accounted for using the equity method

Associates are accounted for using the equity method, an associate being an entity over which the investor has significant influence. On initial recognition the investment in an associate is recognised at cost. On initial recognition any differences between the cost of the investment and the entity's share of equity have to be determined accordingly. This then has to be analysed as to whether it is attributable to hidden reserves or liabilities. Any excess, i.e. positive difference, remaining after the allocation of hidden reserves and assets is to be treated as goodwill and presented in the carrying amount of the investment. Any negative difference is accounted for in profit and loss by increasing the assigned value of the investment.

Based on the cost of purchase, the carrying amount of the investment is increased or decreased in the subsequent periods by the share of annual profit. Further adjustments to the carrying amount of the investment are required if the equity of the investee has changed due to circumstances accounted for in the other components of profit/loss.

As part of subsequent measurement, write-downs relating to hidden reserves realised in the context of initial measurement have to be accounted for accordingly and deducted from the share of annual profit. To avoid double recognition, dividends received are to be deducted from the carrying amount.

If there are circumstances indicating that the investment may be impaired, an impairment test is to be conducted in respect of this investment. No separate review of pro-rata goodwill is conducted as part of this process. The assessment applies to the total carrying amount of the investment.

Inventories
Inventories are stated at the lower of purchase or conversion cost and net realisable value.

The inventories associated with consumables have been capitalised at average historical cost. As part of Group accounting, the cost of raw materials is assigned mainly by using the weighted average cost formula. Finished goods are measured at manufacturing cost (cost of conversion) according to item-by-item calculations based on current operational accounting; in addition to the directly related cost of direct material and units of production, this item also includes special production costs as well as production and material overheads, including depreciation. Financing costs are not accounted for in the cost of conversion. All identifiable risks associated with inventories, particularly relating to holding periods in excess of average duration, diminished usability and net realisable value, are recognised by an appropriate write-down. This blanket mechanism applies subject to a better understanding in individual cases.

The net realisable value is the estimated selling price achievable in the ordinary course of business, less the estimated costs incurred until completion and the estimated costs necessary to make the sale.

Cash and cash equivalents
Cash and cash equivalents recognised in the statement of financial position comprise cash on hand, bank balances and short-term deposits with original maturities of less than three months.

As regards the Group statement of cash flows, cash and cash equivalents comprise the aforementioned cash and cash equivalents less overdrafts used by the Group.

Financial liabilities
SIMONA measures financial liabilities other than derivative financial instruments at amortised cost using the effective interest method. The Group's financial liabilities comprise trade payables, other financial liabilities, bank overdrafts and money market loans, bank loans and derivative financial instruments.

Interest-bearing borrowings
On initial recognition, loans are measured at the fair value of the consideration received, having deducted the transaction costs relating to the origination of the loan. After initial recognition interest-bearing borrowings are measured at amortised cost using the effective interest method. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or when it expires.

Accounting for put and call options from company acquisitions
As regards put and call options from company acquisitions, financial liabilities are recognised as liabilities that represent the interests still outstanding from the acquisitions. The liability is recognised on initial recognition at the present value of the exercise price. The liability is reclassified from equity at the time of addition (IAS 32.23). The market interest rate for comparable financing is used for discounting purposes and includes, among other factors, the credit rating of SIMONA AG. Subsequent measurement is carried out in accordance with IFRS 10.23 without affecting profit or loss.

Derivative financial instruments
An interest rate swap is applied for the purpose of mitigating interest rate risk. Such derivative financial instruments are measured at fair value both on initial recognition and in subsequent periods. If the fair value is positive, it is reported as a financial asset, otherwise as a financial liability. The interest rate swap does not meet the cash flow criterion of IFRS 9. Thus, this financial instrument has to be classified as "fair value through PnL". As no hedging relationships exist on the balance sheet, all fluctuations in value are recognised at fair value through profit or loss. Further information on derivative financial instruments can be found in Note [35].

SUSTAINABLE GROWTH

Other provisions

Other provisions are recognised when an obligation exists towards a third party, settlement of this obligation is probable and a provision. Other provisions are measured at aggregate costs. Long-term provisions with more than one year to maturity are recognised at their discounted settlement value as at the end of the reporting period.

Obligations from partial retirement will arise in the context of the partial retirement programme launched at the end of 2021. Partial retirement is organised on the basis of the so-called block model. Top-up payments, i.e. bonus payments, are generally accounted for as “other long-term employee benefits” in accordance with IAS 19.153ff (2011). As regards the accounting treatment of other long-term employee benefits, IAS 19.155f. (2011) refers to the requirements in IAS 19.56-119 (2011) and IAS 19.123-130 (2011) for defined benefit pension plans. Thus, top-up payments must be accumulated in the statement of financial position over the period of the so-called “active phase”. This period generally extends from the time the obligation arises (on the basis of the corresponding individual contracts as well as the company agreement concerning the compensation entitlement) until the end of the “employment phase”. The likelihood of claims shall be taken into account accordingly. In the case of the block model, the “outstanding settlement amount” established over the course of the employment, i.e. “active”, phase has to be accumulated as it arises; it is recognised as a liability at the present value of the payments to be made in the release, i.e. “passive”, phase, taking into account the general provisions set out in IAS 19 (2011). The termination indemnities provided for in the partial retirement scheme are treated in the same manner as the top-up payments.

Pensions

The Group has direct pension plans as well as one indirect pension plan. The indirect pension plan is serviced by SIMONA Sozialwerk GmbH, which manages the plan assets. The plan assets are accounted for in the Group statement of financial position such that the fair value of those assets of SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH that fulfil the requirements for plan assets are deducted from the benefit obligation of the Group (funding company) when measuring the pension provision to be recognised. The fair value of the plan assets is based on information regarding the market price; in the case of securities traded on public exchanges, it corresponds to the published purchase price. As the requirements for plan assets specified in IAS 19.8 have been fulfilled, the deduction of the plan assets from the obligation of the Group does not give rise to an obligation to consolidate on the part of SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH because their sole purpose is to service the pension obligations.

Provisions for pensions are accounted for on the basis of the Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) (IAS 19, Projected Unit Credit Method). As part of this process, besides pensions and benefits known as at the end of the reporting period, expected future increases in salaries and pensions are accounted for with sufficient reliability. The calculation is based on actuarial reports that take into account specific biometric data.

In accordance with IAS 19, interest expenses and the expected return on plan assets are replaced with a net interest amount. It is calculated by applying the discount rate used to measure defined benefit obligations to the net defined benefit liability (asset). The net interest from a net defined benefit liability (asset) includes the interest expenses attributable to defined benefit obligations and interest income from plan assets. The difference between the interest income on plan assets and the return on plan assets is included in the remeasurement of defined benefit obligations in other comprehensive income for the Group. In accordance with IAS 19, the return on plan assets is calculated on the basis of the discount rate.

The amount recognised as a defined benefit liability is the net total of the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly.

The pension scheme for active members of the Management Board was converted to defined contribution and congruently reinsured pension plans in 2019. The valuation takes into account the fair value of the reinsured insurance.

Government grants

A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Grants related to income are presented as part of profit or loss under the heading of “other income” and are recognised on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Revenue recognition

The Group manufactures and sells semi-finished plastics as well as pipes and fittings. Revenue is recognised when control over the separately identifiable products is transferred, i.e. when the control associated with ownership of the products sold has been transferred to the customer. This is conditional upon the existence of a contract with enforceable rights and obligations and, among other things, the probability that the consideration will be received, taking into account the customer’s creditworthiness. Revenues represent the contractually agreed transaction price that SIMONA is expected to be entitled to.

The Group also provides services centred around its SIMONA Academy and the rental of welding machines for plastics. The value of such services is less than 0.02 per cent of consolidated revenue and is immaterial.

The Group’s business activities also involve planning, producing and installing piping systems used in the aquaculture industry.

Framework agreements that the Group enters into with individual customers mainly include product specifications, purchase quantities, contract terms, terms of delivery, payment terms, bonus agreements, penalties and, in individual cases, extended warranty periods. The standard payment terms are between 30 and 90 days without deductions and up to 14 days with up to 3 per cent discount. In individual cases, SIMONA agrees warranty periods of up to five years in general; they are customary in the industry and go beyond the statutory warranty period. Transaction prices for extended warranties are not customary in the market and are therefore not invoiced. In some cases, bonus agreements are concluded with customers. These are recognised at the actual amount in the same period, leading to a reduction in revenue.

Taxes

a) Current tax assets and current tax liabilities

Current tax liabilities and current tax assets for current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Where required, tax liabilities are recognised.

b) Deferred taxes

Applying the liability method, deferred taxes are recognised for all temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base as well as in connection with consolidation procedures. Additionally, a deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

SUSTAINABLE GROWTH

Deferred taxes are recognised for all taxable and deductible temporary differences, with the exception of:

- Deferred tax liabilities from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither profit nor taxable profit/tax loss.
- Deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries if the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and if they relate to the income taxes of the same taxable entity, imposed by the same taxation authority.

Current and deferred taxes are recognised in profit or loss unless they relate to items recognised directly in equity or in other comprehensive income. In this case, the taxes are also recognised in other comprehensive income or directly in equity.

c) Value added tax

Sales revenues, expenses and assets are recognised after deduction of value added tax.

[6] SEGMENT REPORTING

In accordance with the provisions set out in IFRS 8, segment reporting is based on the “management approach”. Accordingly, the information regularly provided to the chief operating decision maker for decision-making purposes is to be considered authoritative.

For company management purposes, the Group is organised according to geographic regions and has the three following reportable operating segments:

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

As in the previous year, the segments have been allocated on the basis of the region in which the revenue-generating business unit has its registered office.

SEGMENT INFORMATION OF THE SIMONA GROUP

	EMEA		Americas	
in € ’000	**2022**	**2021**	**2022**	**2021**
Revenues from external customers	456,919	352,512	207,070	150,829
Revenues from other segments	18,265	11,173	605	435
Revenue (total)	**475,184**	**363,685**	**207,675**	**151,264**
Other income	4,959	4,493	419	4,087
Cost of materials	301,438	213,981	107,931	84,443
Staff costs	75,746	65,903	32,882	25,213
Depreciation, amortisation and write-downs	14,406	11,780	5,467	5,232
Other expenses	78,979	55,365	30,837	23,083
Earnings before interest and taxes (EBIT)	19,143	29,780	32,378	17,572
Earnings before taxes (EBT)	19,075	27,081	32,591	17,700
Segment capital expenditure	18,224	15,402	8,792	6,207
Non-current assets	173,248	118,312	89,740	82,295

All three segments generate their revenues mainly through the sale of semi-finished plastics and pipes, including fittings. The segment categorised as “EMEA” encompasses the production and sale of semi-finished and finished thermoplastics, profiles, pipes and fittings as well as the planning, production and installation of piping systems for aquaculture. The segment categorised as “Americas” mainly covers the production and sale of extruded thermoplastic sheets, the emphasis being on aircraft interiors. The segment categorised as “Asia-Pacific” includes the production and sale of semi-finished thermoplastics.

Management assesses earnings before interest and taxes (EBIT) of these segments for the purpose of making decisions as to the distribution of resources and determining the profitability of the business units. Segment profitability is determined on the basis of operating results from operating activities before the effects of financing activities and excluding income tax effects.

As a matter of course, segment information is based on the same principles of presentation and the same accounting policies as those applied to the consolidated financial statements. Receivables, liabilities, revenues and expenses as well as profit/loss between the individual segments are eliminated as part of reconciliation. Internal transfer pricing between the business segments is determined on the basis of competitive market prices charged to unaffiliated third parties (regular way transaction). External sales revenue relates to the registered office of the revenue-generating business unit. Capital expenditure relates to additions to intangible assets, property, plant and equipment and right-of-use assets relating to leases. Segment assets comprise assets that contribute to the achievement of operating profit. Depreciation and amortisation of non-current assets relate to intangible assets, property, plant and equipment and right-of-use assets relating to leases.

The following table includes information relating to segment revenues, income and expenses as well as segment results. The differences in respect of the consolidated financial statements are presented in the reconciliation.

	Asia-Pacific		**Total**		**Reconciliation**		**Group**
2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
48,079	41,198	712,068	544,539	0	0	712,068	544,539
0	0	18,871	11,608	–18,871	–11,608	0	0
48,079	**41,198**	**730,939**	**556,147**	**–18,871**	**–11,608**	**712,068**	**544,539**
2,578	2,053	7,956	10,634	–1,396	–926	6,559	9,708
34,778	30,371	444,147	328,795	–18,833	–11,490	425,314	317,305
4,730	4,194	113,358	95,310	0	0	113,358	95,310
1,616	1,618	21,490	18,630	0	0	21,490	18,630
6,870	4,045	116,686	82,493	–1,481	–893	115,206	81,600
2,964	3,451	54,485	50,802	–430	58	54,055	50,860
1,980	4,249	53,645	49,030	–445	309	53,201	49,339
8,950	3,051	35,966	24,660	0	0	35,966	24,660
18,979	11,819	281,968	212,426	0	0	281,968	212,426

SUSTAINABLE GROWTH

GERMANY

in € '000	2022	2021
Domestic revenue	125,067	111,175
Non-current assets	86,889	81,777

Revenue generated in the USA amounted to €168,165 thousand (previous year: €125,160 thousand).

Revenue attributable to the business lines constitutes the secondary segment reported.

REVENUE BY BUSINESS LINE

in € '000	2022	2021
INDUSTRY	266,041	228,722
Advertising & Building	111,290	78,432
Infrastructure	122,328	69,819
Mobility	70,622	54,845
Others	141,787	112,721
Revenues from external customers	**712,068**	**544,539**

NOTES TO GROUP INCOME STATEMENT

[7] REVENUE

Sales revenue is attributable mainly to the sale of semi-finished plastics, pipes and fittings as well as the planning, production and installation of piping systems for aquaculture. There are no contractual take-back obligations from product deliveries. Refunds are made promptly in the form of credit notes to the customer in the event of changes in the transaction price, complaints or other reasons. Delivery and service obligations in the Group result mainly from the order backlog at the end of the year in the amount of €142,938 thousand (previous year: €159,308 thousand).

The classification of sales revenue by region and business line is outlined in segment reporting – Note [6].

Contract balances

The contract balances are mainly customer-specific performance obligations satisfied over time; they are recognised using the input method. Contract assets result from completed contracts that have not yet been invoiced as at the reporting date. The assets are reclassified to trade receivables when the right to consideration becomes unconditional. Contract liabilities arise for advance payments received for which no work has yet been carried out. The changes in contract assets and liabilities correspond to the natural development of the project portfolio as well as the current project mix.

The following assets and liabilities were recognised within the Group in connection with revenue from contracts with customers:

in € '000	31/12/2022	31/12/2021
Trade receivables	88,863	82,363
Contract assets	1,093	121
Contract liabilities	–502	–157

In 2022, revenue in the amount of €157 thousand, included in contract liabilities as at 1 January 2022, was realised (previous year: €148 thousand). The changes in the balances of contract assets and contract liabilities relate to the addition and completion of projects in the financial year. In the financial year, as in the previous year, no impairments were recognised on contract balances for reasons of materiality.

[8] OTHER INCOME

Other income includes the following items:

in € '000	2022	2021
Income from foreign currency translation	3,603	3,406
Reversal of provisions/Deferrals and accruals	787	406
Income from disposal of property, plant and equipment	475	201
Income from services and commissions	200	176
Income from rental and lease	49	25
Miscellaneous other income	1,445	5,495
	6,559	**9,708**

In the previous year, other income included €4.2 million in income from funding assistance in the USA (Payroll Protection Program as part of COVID-19 support provided by the US government).

[9] COST OF MATERIALS

Cost of materials is composed of the following:

in € '000	2022	2021
Cost of raw materials, consumables and supplies	422,787	314,845
Cost of purchased services	2,528	2,460
	425,315	**317,305**

The increase is mainly due to higher commodity and energy prices as a result of the general macroeconomic trajectory following Russia's invasion of Ukraine

[10] STAFF COSTS

Staff costs are composed of the following:

in € '000	2022	2021
Wages and salaries	91,541	74,814
of which from long-term employee benefits	84	926
Expenses relating to social security	17,391	15,003
Expenses relating to pensions	4,426	5,492
	113,358	**95,310**

The change was mainly attributable to the introduction of the partial retirement programme and collective wage increases at the German sites, additions to the workforce in the Americas and Asia-Pacific segments as well as the first-time consolidation of SIMONA PEAK Pipe Systems Limited, United Kingdom.

Staff costs include employment termination indemnities totalling €429 thousand (previous year: €377 thousand).

Expenses relating to social security include defined contribution plans governed by German legislation (statutory pension insurance) totalling €5,677 thousand (previous year: €4,898 thousand).

[11] RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses amounted to €5.944 thousand in the period under review (previous year: €5,234 thousand). Expenses are mainly comprised of staff costs, material costs and depreciation of property, plant and equipment. As in the previous year, in accordance with Note [5], no development costs were capitalised in the financial year under review.

[12] OTHER EXPENSES

Other expenses comprise the following items:

in € '000	2022	2021
Outward freight	30,796	21,828
Other selling expenses	16,527	11,676
Maintenance expenses	17,246	14,860
Other administrative expenses	15,084	11,275
Expenses for packaging material	14,873	10,840
Other operating costs	8,458	4,360
Rental and lease expenses	1,864	1,195
Losses from disposal of assets	850	693
Losses from the derecognition of financial assets and impairment losses	1,283	592
Expenses from foreign currency translation	4,177	2,271
Other	4,048	2,010
	115,206	**81,600**

The increase in other expenses is mainly due to higher freight and packaging costs as a result of inflationary trends within the economy as a whole. In addition, the Group saw an increase in maintenance, operating and administrative costs.

Other expenses include the revaluation of the earn-out liability in the context of the acquisition of SIMONA PEAK Pipe Systems Limited, amounting to €933 thousand. The revaluation is recognised as an expense because the fair value of the earn-out clause had changed as at the reporting date due to new findings. Classification is made within operating profit because the fair value has changed primarily due to changes in assumptions about future levels of profit, as the change in fair value is directly related to the Group's operating profit.

SUSTAINABLE GROWTH

[13] NET FINANCE INCOME/COST

in € '000	2022	2021
Finance income	**8,186**	**3,309**
of which income from the measurement of derivative financial instruments	408	0
of which income from the translation of financing-related monetary balance sheet items	2,844	3,073
of which interest from loans and receivables	87	128
of which other finance income	4,847	33
of which from income from equity investments	0	75
Finance cost	**9,518**	**5,167**
of which expenses from the translation of financing-related monetary balance sheet items	6,069	4,078
of which interest expenses from termination benefits	1,653	960
of which interest expenses from borrowings and financial liabilities	1,796	324
of which depreciation, amortisation and write-downs of financial assets	0	–195
Net finance cost	**–1,332**	**–1,858**

Income from the measurement of derivative financial instruments includes the positive change in the fair value of the interest rate swap between the conclusion of the contract and the reporting date. Other financial income mainly includes the effect from hyperinflationary accounting in Türkiye, corresponding to €4,775 thousand.

Income and expenses from the translation of financing-related monetary balance sheet items mainly result from the exchange rate risk of intragroup financing transactions denominated in foreign currencies and of cash and cash equivalents denominated in foreign currencies. In addition, interest expenses increased due to the loan financing of the company acquisition of the UK-based subsidiary as well as the utilisation of short-term money market loans.

14 INCOME TAXES

The principal elements of income tax expense are as follows:

in € '000	2022	2021
Current tax		
Current tax expense	12,637	8,779
Adjustments of current tax attributable to previous periods	758	824
Deferred tax		
Origination and reversal of temporary differences	2,331	3,585
Change in loss carryforwards and tax credits recognised	62	–346
Income tax expense reported in Group income statement	**15,788**	**12,842**

The reconciliation of the expected tax expense to the reported tax expense is shown below.

The expected tax expense is calculated by applying the German corporate income tax rate (including solidarity surcharge) plus the effective trade tax rate to profit before income taxes.

in € '000	2022	2021
Earnings before taxes (EBT)	**53,201**	**49,339**
Income tax expense at German tax rate of 29.48% (previous year: 29.48%)	15,684	14,545
Adjustments of current tax attributable to previous periods	758	824
Unrecognised deferred tax assets relating to tax losses	290	81
Loss carryforwards used in connection with deferred tax assets not recognised in previous year	118	0
Recognised deferred tax assets relating to tax losses	223	–570
Tax effect of non-deductible expenses	825	114
Tax rate differences	–4,103	–566
Changes to tax rate	–227	0
Tax-free dividend income	76	–1,384
Other tax-free income	–139	–957
Amount recognised directly in equity without tax effects	205	0
Tax effects of permanent differences	–64	–185
Adjustments to carrying amount for loss carryforwards and tax credits	0	–54
Other tax effects not attributable to the period	–27	13

Other	2,169	981
Income tax expense at effective tax rate of 29.7% (previous year: 26.0%)	**15,788**	**12,842**
Income tax expense reported in Group income statement	**15,788**	**12,842**

Effective from 2019 to 2022, the corporation tax rate in France was lowered in each case to between 15 and 25 per cent.

On 22 April 2021, Türkiye adopted a change in the corporate income tax rate from 22 to 25 per cent with effect from 1 July 2021 and a change from 25 to 23 per cent with effect for the 2022 financial year.

From 1 April 2023, the rate of corporation tax in United Kingdom will increase from currently 19 per cent to 25 per cent on profits exceeding £250,000. For profits up to £50,000, the tax rate remains at 19 per cent. A gradual increase in the tax rate applies to profits between £50,000 and £250,000. In this context, recognition of deferred taxes on temporary differences that reverse in the UK shall henceforth be based on a rate of 25 per cent.

Deferred taxes

At the end of the reporting period, deferred tax assets and deferred tax liabilities were as follows:

GROUP STATEMENT OF FINANCIAL POSITION

in € '000	31/12/2022	31/12/2021
Deferred tax assets		
Provisions for pensions	5,454	25,341
Other provisions and liabilities	796	425
Lease liabilities IFRS 16	525	470
Inventories	1,841	1,712
Receivables and other assets	513	344
Loss carryforwards and tax credits	585	647
Property, plant and equipment	887	938
Other items	563	391
	11,164	**30,269**
Deferred tax liabilities		
Goodwill	5,257	3,334
Other intangible assets	2,453	1,726
Right-of-use assets IFRS 16	518	466
Property, plant and equipment	13,812	12,859
Inventories	8,910	7,486
Receivables and other assets	541	281
Other provisions and liabilities	126	56
Other items	3,840	1,228
	35,457	**27,436**
Set-off	5,464	–12,516
Deferred tax assets	**8,976**	**17,752**
Deferred tax liabilities	**–33,268**	**–14,920**
Net balance sheet amount	**–24,293**	**2,832**

The net balance sheet amount of deferred taxes changed as follows:

in € '000	2022	2021
Beginning of the period 1 January	**2,832**	**21,287**
Income tax expense (income)	–2,393	–3,239
Amount recognised directly in equity (total comprehensive income)	–18,948	–12,364
Currency translation	472	–535
Effects from hyperinflationary accounting	–1,905	0
Additions from company acquisitions	–4,351	–2,317
End of period 31 December	**–24,293**	**2,832**

SUSTAINABLE GROWTH

At the end of the reporting period, loss carryforwards amounted to €10,320 thousand (previous year: €10,270 thousand). Deferred tax assets of €585 thousand (previous year: €647 thousand) were recognised on loss carryforwards of €9,187 thousand (previous year: €9,203 thousand). Beyond this, no other deferred tax assets were recognised, as the losses may not be used for the purpose of set-off with the taxable profit of other Group companies.

Expiry date of tax loss carryforwards:

in € ’000	2022	2021
Between 3 and 20 years	10,320	10,270
	10,320	**10,270**

Deferred tax assets of around €300 thousand (previous year: €394 thousand) are expected to be realised in the subsequent financial year.

[15] EARNINGS PER SHARE

For the calculation of basic earnings per share, the profit or loss attributable to ordinary equity holders of the parent entity shares is divided by the weighted average number of ordinary shares outstanding during the year. There were no dilutive effects in the reporting period or in the prior-year period.

The following table presents the amounts relevant to the calculation of basic and diluted earnings per share:

in € ’000or units of 1,000	2022	2021
Profit or loss attributable to ordinary equity holders of the parent company	37,839	37,020
Weighted average number of ordinary shares (without treasury shares) to calculate basic earnings per share	6,000	5,700
Weighted average number of ordinary shares (without treasury shares) to calculate diluted earnings per share	6,000	5,700
Basic earnings per share (in €)	6.31	6.49
Diluted earnings per share (in €)	6.31	6.49

[16] PAID AND PROPOSED DIVIDENDS

During the financial year, a dividend, attributable to the ordinary shares of the parent company, in the amount of €1.70 (previous year: €1.20) per share was declared and distributed. The total payment made in the financial year under review amounted to €9,690 thousand (previous year: €6,840 thousand). A dividend proposal of €1.85 per share will be submitted to the Annual General Meeting of Shareholders. The proposed total dividend was not recognised as a liability at the end of the reporting period. The corresponding payment would total €11,100 thousand (previous year: €9,690 thousand).

NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

[17] INTANGIBLE ASSETS

31/12/2022

in € ’000	Patents, licences and trade-marks	Customer base	Goodwill	Total
Balance at 1 January 2022 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	5,371	9,831	41,219	56,421
Additions	336	0	0	336
Additions from business combinations	5,175	10,056	17,869	33,100
Transfer	1,023	0	0	1,023
Disposals	0	0	0	0
Depreciation/amortisation during the financial year	–1,127	–2,039	0	–3,166
Effects of changes in foreign currency exchange rates	1,190	3,565	3,697	8,452
Balance at 31 December 2022 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	**11,968**	**21,413**	**62,785**	**96,166**
Balance at 1 January 2022				
Cost of purchase or conversion	15,312	17,364	42,078	74,754
Accumulated depreciation/amortisation	–9,940	–7,533	–859	–18,332
Carrying amount	**5,371**	**9,831**	**41,219**	**56,421**

Balance at 31 December 2022				
Cost of purchase or conversion	21,968	31,534	63,644	117,146
Accumulated depreciation/ amortisation	–10,000	–10,121	–859	–20,980
Carrying amount	**11,968**	**21,413**	**62,785**	**96,166**

The change in exchange rates at the Turkish company SIMONA PLASTECH includes effects of €11,721 thousand attributable to hyperinflationary accounting.

Goodwill was as follows:

in € ’000	01/01/ 2022	Additions/ disposals	Write-down	Change in foreign exchange rate	31/12/ 2022
SIMONA Boltaron Inc., USA	23,595	0	0	1,460	25,055
SIMONA AMERICA Industries LLC / Power Boulevard Inc., USA	2,293	0	0	127	2,420
SIMONA PMC, LLC, USA	4,459	0	0	276	4,735
SIMONA Stadpipe AS, Norway	5,103	0	0	–255	4,849
SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Türkiye	4,803	0	0	3,181	7,984
SIMONA PEAK Pipe Systems Limited, United Kingdom	0	18,834	0	–1,092	17,742
	40,253	**18,834**	**0**	**3,697**	**62,785**

The change in exchange rates at SIMONA PLASTECH Levha Sanayi AŞ includes effects from hyperinflationary accounting equivalent to €4,320 thousand.

In accordance with the method applied in the previous year, patents and licences are amortised systematically over their economic life of three to five years by using the straight-line method; customer relationships are amortised over an economic life of five to twenty-five years by using the straight-line method. The residual book value of customer relationships resulting from acquisitions is as follows:

31/12/2022

	Residual book value in € ’000	Remaining period of amortisation
SIMONA AMERICA Industries LLC/ Power Boulevard Inc., USA	48	1 year
SIMONA PMC, LLC, USA	1,671	10 years
SIMONA Stadpipe AS, Norway	1,284	8 years
SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Türkiye	9,725	24 years
SIMONA PEAK Pipe Systems Limited, United Kingdom	8,683	10 years
Total	**21,413**	

31/12/2021

	Residual book value in € ’000	Remaining period of amortisation
SIMONA AMERICA Industries LLC/ Power Boulevard Inc., USA	510	2 years
SIMONA PMC, LLC, USA	1,757	11 years
SIMONA Stadpipe AS, Norway	1,460	9 years
SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Türkiye	6,104	25 years
Total	**9,831**	

In acquiring PEAK Pipe Systems Limited (PEAK), the Group also acquired the Peak trademark. The latter was valued at €4,874 thousand and will be amortized over a period of eight years. The residual carrying amount as at 31 December 2022 is €4,367 thousand.

Impairment of goodwill

The Group conducts the mandatory annual impairment test for significant goodwill in the fourth quarter of the financial year, applying the method outlined in Note [5] “Impairment of Assets”. As part of the impairment test conducted in the financial year under review in respect of the cash-generating units (CGU), the recoverable amounts on the basis of the value in use were estimated to be higher than the carrying amounts. No impairment losses were required as part of the goodwill impairment test conducted for the financial year under review.

SUSTAINABLE GROWTH

The fundamental assumptions made in connection with the impairment test are based primarily on projected market growth rates as well as Group estimates/assessments provided by the respective sales and purchasing departments. The assumptions in the financial year under review are based on the parameters presented in the following table. Projections relating to cash flows are based on a period of four years, subsequently transitioning into perpetuity. The sensitivity analysis is conducted by varying one of the parameters listed below under otherwise identical conditions. The assumptions in the reporting year are based on the following information.

SIMONA Boltaron Inc.

The impairment test of CGU SIMONA Boltaron Inc. comprises the entire business unit of SIMONA Boltaron Inc. The following parameters were applicable: four-year forecasting period, revenue growth, EBITDA margin and discount rate at end of forecasting period. The discount rate after tax is 10.53 per cent and 9.82 per cent before tax (previous year: 6.48 per cent and 6.14 per cent) for the forecasting period and 7.92 per cent (previous year: 4.44 per cent) for the period beyond. The applicable growth rate subsequent to the end of the forecasting period is 1.9 per cent (previous year: 1.7 per cent). A reduction of the EBITDA margin and revenue growth as well as an increase in the discount rate by 1.0 percentage point in each case did not result in an impairment of goodwill.

SIMONA PMC LLC

The impairment test of CGU SIMONA PMC LLC comprises the entire business unit of SIMONA PMC LLC. The following parameters were applicable: four-year forecasting period, revenue growth, EBITDA margin and discount rate at end of forecasting period. The discount rate after tax is 10.26 per cent and 8.28 per cent before tax (previous year: 6.26 per cent and 5.17 per cent) for the forecasting period and 6.58 per cent (previous year: 3.47 per cent) for the period beyond. The applicable growth rate subsequent to the end of the forecasting period is 1.8 per cent (previous year: 1.7 per cent). A reduction of the EBITDA margin and revenue growth as well as an increase in the discount rate by 1.0 percentage point in each case did not result in an impairment of goodwill.

SIMONA AMERICA Industries LLC / Power Boulevard Inc.

The impairment test of CGU SIMONA AMERICA Industries LLC/ Power Boulevard Inc. comprises the entire business unit of SIMONA AMERICA Industries LLC as well as Power Boulevard Inc. The following parameters were applicable: four-year forecasting period, revenue growth, EBITDA margin and discount rate at end of forecasting period. The discount rate after tax is 12.32 per cent and 9.82 per cent before tax (previous year: 6.48 per cent and 6.14 per cent) for the forecasting period and 7.92 per cent (previous year: 4.44 per cent) for the period beyond. The applicable growth rate subsequent to the end of the forecasting period is 1.9 per cent (previous year: 1.7 per cent). A reduction of the EBITDA margin and revenue growth as well as an increase in the discount rate by 1.0 percentage point in each case did not result in an impairment of goodwill.

SIMONA Stadpipe AS

The impairment test of CGU SIMONA Stadpipe AS comprises the entire business unit of SIMONA Stadpipe AS. The following parameters were applicable: four-year forecasting period, revenue growth, EBITDA margin and discount rate at end of forecasting period. The discount rate after tax is 11.57 per cent and 9.13 per cent before tax (previous year: 7.37 per cent and 6.04 per cent) for the forecasting period and 7.83 per cent (previous year: 4.64 per cent) for the period beyond. The applicable growth rate subsequent to the end of the forecasting period is 1.3 per cent (previous year: 1.4 per cent). A reduction of the EBITDA margin and revenue growth as well as an increase in the discount rate by 1.0 percentage point in each case did not result in an impairment of goodwill.

SIMONA PLASTECH Levha Sanayi Anonim Şirketi

The impairment test relating to the CGU SIMONA PLASTECH Levha Sanayi Anonim Şirketi includes the entire business unit of SIMONA PLASTECH Levha Sanayi Anonim Şirketi. The following parameters were applicable: four-year forecasting period, revenue growth, EBITDA margin and discount rate at end of forecasting period. The discount rate after tax is 14.2 per cent and 12.0 per cent before tax (previous year: 21.9 per cent and 18.2 per cent) for the forecasting period and 9.0 per cent (previous year: 14.9 per cent) for the period beyond. The applicable growth rate subsequent to the end of the forecasting period is 3.0 per cent (previous year: 3.3 per cent). A reduction in the EBITDA margin and revenue growth as well as an increase in the discount rate by 1.0 percentage point in each case leads to an impairment of goodwill of between €0.7 and 1.4 million.

SIMONA PEAK Pipe Systems Limited

The impairment test of CGU SIMONA PEAK Pipe Systems Limited includes the entire business unit of SIMONA PEAK Pipe Systems Limited. The following parameters were applicable: four-year forecasting period, revenue growth, EBITDA margin and discount rate at end of forecasting period. The discount rate after tax is 11.4 per cent and 9.1 per cent before tax for the forecasting period and 7.6 per cent for the period beyond. The applicable growth rate subsequent to the end of the forecasting period is 1.5 per cent. A reduction of the EBITDA margin and revenue growth as well as an increase in the discount rate by 1.0 percentage point in each case did not result in an impairment of goodwill.

For the above CGUs, revenue growth ranges from 3.0 per cent to 6.0 per cent, while the EBITDA margin ranges from 8.0 per cent to 19.0 per cent.

31/12/2021

in € '000	**Patents and licences**	**Customer base**	**Goodwill**	**Total**
Balance at 1 January 2021 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	3,589	3,923	32,897	40,409
Additions	32	0	0	32
Additions from business combinations	4,021	10,882	8,249	23,152
Transfer	–45	45	0	0
Disposals	4	0	0	4
Depreciation/amortisation during the financial year	–890	–833	0	–1,724
Effects of changes in foreign currency exchange rates	–1,338	–4,186	–893	–6,416
Balance at 31 December 2021 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	**5,371**	**9,831**	**40,254**	**55,456**
Balance at 1 January 2021				
Cost of purchase or conversion	12,635	10,229	33,756	56,620
Accumulated depreciation/ amortisation	–9,047	–6,306	–859	–16,212
Carrying amount	**3,589**	**3,923**	**32,897**	**40,409**
As at 31 December 2021				
Cost of purchase or conversion	15,312	17,364	41,113	73,788
Accumulated depreciation/ amortisation	–9,940	–7,533	–859	–18,332
Carrying amount	**5,371**	**9,831**	**40,254**	**55,456**

SUSTAINABLE GROWTH

[18] PROPERTY, PLANT AND EQUIPMENT

31/12/2022

in € ’000	Land and buildings	Plant and equipment	Prepayments and assets under construction	Total
Balance at 1 January 2022 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	44,314	89,536	21,091	154,941
Additions	1,521	7,757	24,960	34,238
Additions from business combinations	0	3,412	0	3,412
Transfer	1,219	11,742	–13,984	–1,023
Disposals	0	–1,270	0	–1,270
Depreciation/amortisation during the financial year	–2,523	–14,618	0	–17,141
Transfer depreciation/amortisation	992	2,432	220	3,644
Balance at 31 December 2022 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	**45,523**	**98,991**	**32,287**	**176,801**
Balance at 1 January 2022				
Cost of purchase or conversion	93,897	308,471	21,091	423,458
Accumulated depreciation/amortisation and impairments	–49,583	–218,935	21,091	–268,517
Carrying amount	**44,314**	**89,536**	**21,091**	**154,941**
As at 31 December 2022				
Cost of purchase or conversion	97,836	325,745	32,287	455,868
Accumulated depreciation/amortisation and impairments	–52,313	–226,754		–279,067
Carrying amount	**45,523**	**98,991**	**32,287**	**176,801**

The change in exchange rates at the Turkish company SIMONA PLASTECH includes effects of €922 thousand attributable to hyperinflationary accounting.

The prepayments of €14,871 thousand (previous year: €10,886 thousand) and the assets under construction of €17,416 thousand (previous year: €10,205 thousand) relate primarily to the expansion of the production facility in China as well as investments at the sites in Germany and investment projects in the United States.

31/12/2021

in € '000	Land and buildings	Technical equipment, operating and office equipment	Prepayments and assets under construction	Total
Balance at 1 January 2021 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	44,370	84,853	11,585	140,808
Additions	262	7,237	17,453	24,953
Additions from business combinations	0	1,316	0	1,316
Transfer	329	8,009	–8,338	0
Disposals	0	–812	0	–812
Depreciation/amortisation during the financial year	–2,365	–13,429	0	–15,794
Transfer depreciation/amortisation	4	–4	0	0
Effects of changes in foreign currency exchange rates	1,713	2,366	391	4,470
Balance at 31 December 2021 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	**44,314**	**89,536**	**21,091**	**154,941**
Balance at 1 January 2021				
Cost of purchase or conversion	90,824	289,681	11,585	392,090
Accumulated depreciation/amortisation and impairments	–46,454	–204,829	0	–251,282
Carrying amount	**44,370**	**84,853**	**11,585**	**140,808**
As at 31 December 2021				
Cost of purchase or conversion	93,897	308,471	21,091	423,458
Accumulated depreciation/amortisation and impairments	–49,583	–218,935	0	–268,517
Carrying amount	**44,314**	**89,536**	**21,091**	**154,941**

The useful life of property, plant and equipment was estimated as follows:

Buildings	20–40 years
Technical equipment, operating and office equipment	5–20 years

SUSTAINABLE GROWTH

[19] LEASES

The following items are presented in the statement of financial position in connection with leases (IFRS 16):

in € '000	31/12/2022	31/12/2021
Land and buildings	7,277	1,096
Technical equipment, operating and office equipment	1,316	933
	8,593	**2,029**

in € '000	31/12/2022	31/12/2021
Current liabilities under leases	1,497	880
Non-current liabilities under leases	7,159	1,181
	8,656	**2,060**

31/12/2022

in € '000	bis zu 1 Jahr	1 bis 5 Jahre	Über 5 Jahre	Gesamt
Future lease payments	1,606	3,308	4,399	9,313
Discounting	106	527	1933	2,566
Present value	**1,500**	**2,781**	**2,466**	**6,747**

31/12/2021

in € '000	bis zu 1 Jahr	1 bis 5 Jahre	Über 5 Jahre	Gesamt
Future lease payments	974	1,237	11	2,222
Discounting	31	9	0	40
Present value	**943**	**1,228**	**11**	**2,182**

The conclusion of new lease agreements led to additions to right-of-use assets amounting to €1,347 thousand in the financial year under review (previous year: €1,183 thousand). Additions also include the effect of the initial consolidation of SIMONA PEAK Pipe Systems Limited. The company has a long-term lease on the premises, resulting in an addition of €6,235 thousand.

The income statement shows the following amounts related to leases:

Depreciation of right-of-use assets

in € '000	2022	2021
Land	100	95
Buildings	786	358
Machinery	47	68
Operating and office equipment	16	17
Motor vehicles	469	437
Industrial trucks	126	44
Total	**1,544**	**1,019**

Expenses from leases

in € '000	2022	2021
Interest expense from liabilities under leases	95	34
Expense relating to short-term leases	358	359
Expense relating to leases of low-value assets	1,506	836

In the period under review, cash outflows from leases amounted to €3,519 thousand (previous year: €2,257 thousand).

The Group's leasing activities

The leases entered into do not currently contain any lease incentives or initial direct costs or costs for dismantling or removing underlying assets.

There are currently no plans to exercise purchase options; extension options are included in the calculation of the present value. Lease incentives, residual value guarantees and penalty payments are currently not part of the lease arrangements. As in the previous year, there were no variable lease payments to be made.

There were no subleases of right-of-use assets or sale-and-leaseback transactions in the reporting period.

[20] INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

This item includes the investment carrying amount in respect of CARTIERWILSON, LLC, an entity accounted for as an associate, which sells products of the US subsidiaries in the United States on a commission/agency basis in its capacity as a sales representative, equivalent to €1,076 thousand (previous year: €977 thousand). The profit from investments accounted for using the equity method was €477 thousand (previous year: €337 thousand) in total.

[21] INVENTORIES

in € '000	31/12/2022	31/12/2021
Raw materials and consumables used	60,242	57,202
Work in progress	1,899	1,554
Finished goods and merchandise	81,455	61,404
Prepayment for inventories	844	787
	144,439	**120,948**

The amount of impairments of inventories recognised in the cost of materials increased in the period under review by €957 thousand to €11,827 thousand compared to the previous year; of this amount, write-downs relating to the net realisable value of finished goods in the amount of €630 thousand were made (previous year: €524 thousand).

[22] TRADE RECEIVABLES

Trade receivables result from the sale of products to customers as part of the operating business model. The items are due primarily in 30 to 90 days. On initial recognition, they are recognised at the amount of unconditional consideration and held with the aim of collecting the contractual cash flow. Subsequently, they are measured at amortised cost.

in € '000	31/12/2022	31/12/2021
Gross carrying amount	**91,640**	**84,839**
Of which past due within the following time ranges:		
Not overdue	72,444	77,022
up to 30 days	14,006	4,763
between 31 and 60 days	2,844	2,133
between 61 and 90 days	462	267
more than 91 days	1,884	654

The impairment losses in respect of financial assets relate exclusively to trade receivables and were as follows:

in € '000	2022	2021
1 January	2,476	2,480
Exchange differences	27	38
Increase in impairment in the financial year (recognised in profit and loss)	710	347
Written off as uncollectible	–351	–371
Not used and reversed	–85	–18
31 December	**2,777**	**2,476**
Net carrying amount	**88,863**	**82,363**

EXPECTED LOSS RATES

Expected loss rates in per cent	31/12/2022	31/12/2021
Country risks	0.0–100.0	0.0–13.0
Industry risks	1.5–4.0	1.0–3.8

The loss rate of 100.0 per cent concerns the countries Russia and Belarus.

As regards the trade receivables that were neither impaired nor past due, there were no indications at the end of the reporting period that customers will fail to meet their payment obligations.

As a result of the war in Ukraine, impairments or write-downs totalling €710 thousand were made on individual receivables in respect of customers from Russia, Ukraine and Belarus in the reporting year.

The following table includes expenses attributable to the derecognition of trade receivables as well as income from amounts received in connection with derecognised trade receivables. Expenses attributable to the derecognition of trade receivables are reported as other expenses, while income attributable to amounts received in connection with derecognised trade receivables is accounted for as other income.

in € '000	2022	2021
Expenses attributable to the derecognition of trade receivables	573	326
Income attributable to amounts received in connection with derecognised trade receivables	45	30

SUSTAINABLE GROWTH

[23] OTHER ASSETS AND TAX ASSETS

in € '000	31/12/2022	31/12/2021
Receivables from value-added tax	2,823	2,816
Prepayments	721	317
Advance payments for future periods	1,080	975
Receivables from energy tax	1,179	1,250
Bonus entitlements	1,895	788
Contract assets	1,093	121
Other receivables	7,159	4,646
	15,950	**10,913**

At the end of the reporting period, other assets were neither impaired nor past due.

Tax assets amount to €13,520 thousand (previous year: €8,172 thousand) and are attributable primarily to the EMEA and Americas segments.

[24] CASH AND CASH EQUIVALENTS

in € '000	31/12/2022	31/12/2021
Bank balances and cash on hand	65,716	54,055
	65,716	**54,055**

Bank balances bear interest on the basis of floating interest rates applicable to deposits payable on demand. No restraints on use are known apart from the local statutory restrictions applicable to the subsidiaries in China or Russia. At the end of the reporting period cash attributable to the Chinese entities amounted to €1,760 thousand (previous year: €1,495 thousand).

At the end of the year, the Group had undrawn borrowing facilities of €46,744 thousand (previous year: €36,695 thousand).

[25] EQUITY

Changes in equity are presented in a separate Group statement of changes in equity.

Issued capital

At the end of the reporting period, the share capital of SIMONA AG was divided into 600,000 no-par-value shares, unchanged year on year. These shares are classified as ordinary bearer shares. Each no-par-value share has a notional interest of €2.58 in the company's share capital, unchanged year on year. The ordinary shares have been issued and fully paid in.

in € '000	31/12/2022	31/12/2021
Share capital	15,500	15,500
Issued capital	**15,500**	**15,500**

Capital reserves

in € '000	31/12/2022	31/12/2021
Share premium from the issuance of stock	15,274	15,274
Allocation plan assets treasury shares	25,353	0
Capital reserves	**40,627**	**15,274**

The capital reserves include the premium from the issuance of shares in SIMONA AG as well as the effect of the allocation to plan assets. Please also refer to Note [28].

Revenue reserves

This item essentially contains accumulated profits/losses of previous years, profit for the current period and profit recognised directly in equity. In addition, the legal and statutory reserve as well as the changes in pension provisions from actuarial assumptions are presented here. The changes in this item are shown in the Group statement of changes in equity.

The financial liability from the acquisition of SIMONA Stadpipe AS was measured at €7,433 thousand in the financial year under review (previous year: €11,432 thousand).

Other reserves

in € '000	31/12/2022	31/12/2021
Currency translation effects	8,455	6,580
Other reserves	**8,455**	**6,580**

Other reserves include currency translation effects attributable to exchange differences occurring upon translation of the financial statements of foreign subsidiaries as well as the foreign exchange effects (accounted for in equity) of translating net investments in foreign subsidiaries.

in € '000	31/12/2022	31/12/2021
Exchange differences relating to currency translation financial statements of subsidiaries	526	4,741
Exchange differences relating to currency translation net investments	810	1,430
Other changes	572	0
Exchange differences relating to currency translation	**1,909**	**6,171**
Deferred taxes from currency translation	–34	–408
Exchange differences	**1,875**	**5,762**

Treasury shares

No treasury shares existed at the end of the financial year. The previous year's figure includes €597 thousand in treasury shares, which corresponded to 5 per cent of SIMONA AG shares. Please refer to Note [28].

Non-controlling interests

The item relates to non-controlling interests of the following companies:

DEHOPLAST POLSKA, Sp. z o.o., Kwidzyn, Poland

The non-controlling interests correspond to the applicable voting rights and amount to 49 per cent. Revenue generated by this entity amounted to €6,383 thousand in the period under review (previous year: €4,884 thousand). The dividend distribution amounted to €105 thousand (previous year: €85 thousand). Total assets of the company amount to €2,774 thousand and consist mainly of current assets (€2,766 thousand). The liabilities are entirely current (€896 thousand). The profit for the period and total comprehensive income amounted to €870 thousand in the reporting year (previous year: €460 thousand). The accumulated equity share of non-controlling interests at the end of the year was €920 thousand (previous year: €694 thousand).

SIMONA Stadpipe AS, Stadlandet, Norway

The non-controlling interests correspond to the applicable voting rights and amount to 25.07 per cent. Revenue generated by this entity amounted to €18,655 thousand in the period under review (previous year: €12,729 thousand). The dividend distribution amounted to €74 thousand (previous year: €0 thousand). The balance sheet total of the company amounts to €14,996 thousand and consists of current assets (€7,206 thousand) and non-current assets (€7,761 thousand) as well as current liabilities (€5,493 thousand) and non-current liabilities (€1,168 thousand). The profit for the period and total comprehensive income amounted to €105 thousand in the reporting year (previous year: €457 thousand). The accumulated equity share of non-controlling interests at the end of the year was €2,082 thousand (previous year: €2,243 thousand).

SIMONA PLASTECH Levha Sanayi Anonim Şirketim, Düzce, Türkiye

The non-controlling interests correspond to the applicable voting rights and amount to 30.00 per cent. Revenue generated by this entity amounted to €38,144 thousand in the period under review. No distributions were made. The company's balance sheet total amounts to €35,246 thousand and consists of non-current assets (€11,012 thousand) and current assets (€11,900 thousand) as well as current liabilities (€15,997 thousand) and non-current liabilities (€3,127 thousand). There are no restraints in place as regards the right of SIMONA AG to access or use assets of the aforementioned subsidiaries and to meet contractual obligations. The profit for the period and total comprehensive income amounted to €-2,932 thousand in the reporting year (previous year: €-2,877 thousand). The accumulated equity share of non-controlling shareholders was €4,836 thousand at the end of the year (previous year: €3,309 thousand).

SUSTAINABLE GROWTH

[26] FINANCIAL LIABILITIES

Financial liabilities are comprised of the following items:

in € '000	Due date	31/12/2022	31/12/2021
Non-current financial liabilities			
Pro-rata bank loan of €71,229 thousand (nominal amount), (principal repayments due after 31/12/2023)	2024-2029	36,358	5,005
		36,358	**5,005**
Current financial liabilities			
Pro-rata bank loan of €71,229 thousand (nominal amount), (principal repayments due up to 31/12/2023)	01/2023-12/2023	32,592	8,920
		32,592	**8,920**

As regards loans from banks in respect of KfW funds, amounting to €5.0 million, fixed interest rates of between 1.8 per cent and 2.1 per cent have been agreed. Interest is computed either on the basis of the nominal amount of the loan or the remaining amount of the loan.

In February 2022, SIMONA AG took on short-term borrowings of €45.0 million as provisional financing to acquire PEAK Pipe Systems Limited (PEAK), based in Chesterfield, UK. The applicable interest rate was variable, calculated on the basis of three-month EURIBOR. As from August 2022, provisional financing was replaced by long-term bank financing with a term of five to seven years. Of this amount, €11.25 million is subject to fixed interest rates and €33.75 million to variable interest rates based on the three-month EURIBOR. A partial amount of the variable portion of €11.25 million has been hedged with an interest rate swap. The interest and the repayment are due on a quarterly basis for the first time from October 2022. The loans are unsecured in each case. As part of a negative pledge, SIMONA AG undertakes not to provide security to lenders for similar loans without a pari passu interest in such collateral. One-off fees of €20 thousand were payable to the lenders upon signing the loan agreements.

At the end of the reporting period, SIMONA AG had taken out short-term money market loans in the amount of €17.0 million with maturities of up to three months. The applicable interest rate was variable, calculated on the basis of three-month EURIBOR.

In addition, SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Türkiye, has a variable-interest credit line with a nominal value of €5.0 million. At the end of the reporting period, the amount utilised was €4.0 million with a term of less than one year. Collateral is provided in the form of a payment guarantee issued by SIMONA AG.

The aforementioned loans are measured at amortised cost.

Other financial liabilities comprise the following items:

in € '000	Due date	31/12/2022	31/12/2021
Non-current other financial liabilities			
Put/call options from company acquisitions	until 2025	7,433	11,432
Other	Immediately	3,686	616
		11,119	**12,048**
Current other financial liabilities			
Accounts receivable with credit balances	Immediately	2,818	3,038
		2,818	**3,038**

Accounting for put and call options from company acquisitions

As part of the acquisition of SIMONA Stadpipe AS, the seller granted the buyer SIMONA AG a contractual right to purchase; correspondingly, SIMONA AG granted the seller a contractual right to sell. As these two rights are not separable, they were both included in the valuation of the liability.

In this context, both parties have the right to acquire/dispose of the 25.07 per cent of interests in SIMONA Stadpipe AS held by the seller. This right can be exercised on two pre-agreed dates in the future. Accordingly, a synthetic liability was recognised for the put option in accordance with IAS 32.23, the value of which is determined on the basis of the contractual parameters using mathematical methods. In accordance with IAS 32.23, this was reclassified accordingly from equity at the time of addition; non-controlling interests continue to be presented accordingly. The effect of subsequent measurement, which is accounted for directly in equity in accordance with IFRS 10.23, is equivalent to €3,999 thousand.

Treatment of earn-out clause

An earn-out clause was agreed as part of the acquisition of PEAK Pipe Systems Limited. This is to be calculated at the end of the 2022 and 2023 financial years on the basis of the company's EBITDA. Under the terms of the contract, payment is to be made on 31 July 2024. The other financial liability recognised as a liability represents the expected amount of the earn-out clause in the financial year.

The earn-out clause was initially valued at €1,760 thousand at the time of acquisition using a valuation model. As at the reporting date, the fair value of the earn-out liability differs from this amount as a result of a better understanding, i.e. hindsight. The resulting difference has been recognised as an expense in the context of consolidation according to IFRS; see Note [12]. The difference amounts to €933 thousand.

[27] PENSIONS

Under the terms of pension plan agreements, employees of SIMONA AG, SIMONA Produktion Kirn GmbH & Co. KG and SIMONA Produktion Ringsheim GmbH & Co. KG are entitled to post-employment benefits. The aforementioned plans are structured as final salary pension plans in the case of both personnel employed on the basis of collective wage agreements and managerial staff as well as for former members of the Management Board. These relate to benefits in respect of retirement, disability and surviving dependants.

In order to mitigate the risks associated with defined benefit plans, particularly as regards longevity, inflation and salary increases, SIMONA introduced multifinanced defined contribution plans for employees joining the company on or after 1 January 2009.

The pension scheme for active members of the Management Board was converted to defined contribution and congruently reinsured pension plans in 2019.

The underlying expert opinions were prepared on 9 January 2023.

With the exception of payments to SIMONA Sozialwerk GmbH, no contributions are made to funds, cf. Note [28].

The following table includes a breakdown of the expense items recognised in the Group income statement in connection with retirement benefits as well as the amounts carried in the statement of financial position for the respective plans.

The changes in the liabilities of defined benefit obligations (DBO) are as follows:

in € '000	**2022**	**2021**
DBO at beginning of reporting period	63,910	74,018
Service cost	1,068	1,327
Interest cost	760	367
Remeasurement actuarial gains/losses	–20,775	–9,756
due to changes in financial assumptions	–20,573	–9,091
due to changes in the entitlement base	–233	–675
due to other changes in value	31	10
Benefits paid	–1,817	–1,826
Employer contribution	–238	–218
DBO at end of reporting period	**42,909**	**63,910**
of which non-current liability	40,964	62,038
of which current liability	1,945	1,872

The Group anticipates benefit payments of €1,945 thousand (previous year: €1,872 thousand) in connection with defined benefit pension plans for the 2023 financial year.

SUSTAINABLE GROWTH

The assumptions made for the purpose of determining the pension obligations are as follows:

Parameters	2022	2021
Discount rate	3.80 %	1.21 %
Salary increase	2.50 %	2.50 %
Pension increases	2.00 %	1.87 %
Mortality (mortality tables published by Prof. Dr. K. Heubeck)	2018 G	2018 G

A change of half a percentage point each in the above-mentioned basic assumptions used for the purpose of determining the DBO as at 31 December 2022 would increase or decrease the DBO as outlined below. This was determined on the basis of the projected unit credit method as well as the parameters mentioned:

	Change in DBO if parameters are changed by half a percentage point as at 31 December 2022 in € '000 (previous year)	
Parameters	**Increase**	**Decrease**
Discount rate	–2,837 (–5,399)	3,184 (6,207)
Salary increase	331 (748)	–313 (–705)
Pension increase	2,550 (4,610)	–2,331 (–4,151)

The decline in mortality rates by 10 per cent results in an increase in life expectancy dependent on the individual ages of each participant. The DBO at the end of the reporting period would increase by €1,313 thousand (previous year: €2,467 thousand) following a reduction in the mortality rate by 10 per cent and would decrease by €-1,175 thousand (previous year: €-2,171 thousand) following a 10 per cent increase in the mortality rate.

The weighted average duration of the DBO attributable to defined benefit pension plans is 14.0 years (previous year: 17.8 years).

As regards the internal multifinanced defined contribution plan, the total expense for SIMONA AG was €51 thousand (previous year: €35 thousand) in the period under review.

[28] COMPANY WELFARE INSTITUTIONS

SIMONA Sozialwerk GmbH is structured as a long-term employee benefit fund (so-called "Unterstützungskasse") within the meaning of IAS 19.8. Under the Articles of Association, the entity operates solely for the purpose of ensuring that former employees of SIMONA AG, SIMONA Produktion Kirn GmbH & Co. KG and SIMONA Produktion Ringsheim GmbH & Co. KG as well as their surviving dependants receive retirement benefits. The beneficiaries of pensions are entitled to all the assets belonging to the entity as well as all income derived from these assets while the entity is in existence as well as in the case of liquidation or insolvency of the entity. The aforementioned SIMONA companies have no access rights to assets held by SIMONA Sozialwerk GmbH. In the event of liquidation of the entity, the entity's assets are to be allocated to the recipients of benefits or are to be secured for the purpose of providing future benefits for said recipients. Thus, even in the event that the aforementioned SIMONA companies become insolvent, the creditors identified in connection with insolvency have no rights in respect of the assets of SIMONA Sozialwerk GmbH.

The assets of SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH ("SVG") may be utilised solely for benefit-related purposes relating to SIMONA Sozialwerk GmbH.

This is implemented such that SVG holds, among other things, 10 per cent (600,000 shares) of the shares in SIMONA AG. SIMONA AG holds a 50 per cent interest in SVG. Due to the pledging of SVG shares by SIMONA AG to SIMONA Sozialwerk GmbH in 2022, the criteria for plan assets are met and consequently the classification of 300,000 ordinary shares as treasury shares no longer applies in the reporting year. The allocation to plan assets is treated as an equity transaction. In this case, treasury shares are issued against the contribution of plan assets. The plan assets are allocated at fair value. In this case, the amount exceeding the treasury shares previously deducted from equity at acquisition cost is transferred to capital reserves.

The agreed plans relating to SIMONA Sozialwerk GmbH are structured as final salary pension plans in the case of both personnel employed on the basis of collective wage agreements and managerial staff. The defined benefit plans are associated in particular with risks in respect of longevity, inflation and salary increases. These relate to benefits primarily in respect of retirement and, to a lesser extent, in respect of disability and surviving dependants. In line with the specific commitments, certain vesting periods must be observed.

Funding of SIMONA Sozialwerk GmbH is performed in observance of tax regulations.

in € '000	**2022**	**2021**
DBO at beginning of reporting period	106,427	123,785
Service cost	3,073	3,976
Interest cost	1,276	614
Remeasurement actuarial gains/losses	–41,202	–20,394
due to changes in financial assumptions	–41,957	–18,614
due to changes in demographic assumptions	0	0
due to changes in the entitlement base	755	–1.780
Benefits paid	–1,685	–1,554
DBO at end of reporting period	**67,889**	**106,427**
Fair value of plan assets at the beginning of the year	34,737	25,674
Returns on plan assets	410	125
Allocation plan assets	25,950	350
Remeasurement	2,100	10,143
Benefits paid	–1,685	–1,554
Fair value of plan assets at the end of the year	61,512	34,737
Deficit	**–6,377**	**–71,690**

The item “Allocation plan assets” includes the addition of the 5 per cent interest held by SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH in SIMONA AG shares in the amount of €25,950 thousand measured at the exchange price due to reclassification as plan assets.

The Group anticipates benefit payments of €1,892 thousand (previous year: €1,782 thousand) in connection with indirect defined benefit pension plans for the 2023 financial year.

As regards the basic assumptions for determining the pension obligations, please refer to the details in Note [27].

A possible surplus relating to plan assets is not accounted for in the consolidated financial statements of SIMONA AG, as SIMONA AG has no control over these assets. In accordance with the provisions set out in IAS 19.8, the plan assets are available to be used only to pay or fund employee benefits.

The change in the deficit as at 31 December 2022 is attributable primarily to the remeasurement implemented and allocation of plan assets.

A change of half a percentage point each in the above-mentioned basic assumptions used for the purpose of determining the DBO as at 31 December 2022 would increase or decrease the DBO as follows (cf. also Note [27]):

	Change in DBO if parameters are changed by half a percentage point as at 31 December 2022 in € '000 (previous year)	
Parameters	**Increase**	**Decrease**
Discount rate	–5,428 (–10,810)	6,189 (12,656)
Salary increase	1,658 (3,708)	–1,538 (–3,401)
Pension increase	4,143 (7,832)	–3,795 (–7,095)

The decline in mortality rates by 10 per cent results in an increase in life expectancy dependent on the individual ages of each participant. The DBO at the end of the reporting period would increase by €2,055 thousand (previous year: €4,201 thousand) following a reduction in the mortality rate by 10 per cent and would decrease by €-1,852 thousand (previous year: €-3,714 thousand) following a 10 per cent increase in the mortality rate.

SUSTAINABLE GROWTH

The composition of plan assets is presented below:

PLAN ASSETS:

in € '000	31/12/2022	31/12/2021
Category of assets		
Shares in SIMONA AG	51,900	23,400
Time deposits	2,954	2,887
Investment funds	5,096	8,061
Cash and cash equivalents	1,562	389
Total plan assets	**61,512**	**34,737**

The shares in SIMONA AG and the interests in investment funds are quoted in an active market. A concentration of risk exists in respect of SIMONA AG shares.

The weighted average duration of the DBO relating to defined benefit pension plans of SIMONA Sozialwerk GmbH is 17.3 years (previous year: 21.7 years).

The liability recognised in the statement of financial position with regard to this pension plan changed as follows:

in € '000	31/12/2022	31/12/2021
Liability at beginning of reporting period	71,690	98,111
Service cost	3,073	3,976
Net interest expense	866	417
Remeasurement actuarial gains/losses	–41,202	–20,394
due to changes in financial assumptions	–41,957	–18,614
due to changes in the entitlement base	755	–1.780
Allocation plan assets	25,950	350
Remeasurement from plan assets	2,100	9,974
Liability at end of reporting period	**6,377**	**71,690**

[29] OTHER PROVISIONS

in € '000	Personnel-related obligations	Guarantees/warranties	Other	Total
Balance at 1 January 2022	**1,501**	**4,501**	**195**	**6,197**
Allocated	890	734	119	1,743
Used	12	820	15	847
Reversed	0	143	4	147
Exchange differences	0	58	10	69
Effect of time value of money	93	416	0	509
As at 31 December 2022	**2,472**	**4,747**	**306**	**7,524**
Current provisions	408	1.514	–54	1.867
Non-current provisions	2,064	3,233	360	5,657
As at 31 December 2022	**2,472**	**4,747**	**306**	**7,524**

Personnel-related provisions include obligations from anniversary provisions as well as the existing agreement on partial retirement, insofar as these exceed the plan assets. Personnel-related provisions are measured on the basis of actuarial figures.

Provisions for guarantees are recognised in connection with warranties for products sold in preceding years. The calculation is based on historical claims from guarantees and warranties. Guarantee-related provisions are recognised for ongoing, regularly occurring warranty cases as well as for individual cases that occur on an irregular basis and are associated with the risk of above-average claims.

As regards regularly occurring warranty cases, a provision is calculated on the basis of experience over what is adjudged to be a probable average claim period of five years. For the purpose of measuring the provision, the expenses actually incurred in connection with customer credits/refunds from warranty obligations as well as the thus resulting direct costs of processing a complaint are analysed in detail. Within this context, the weighted average warranty expense of the past five years is used for calculation purposes.

The portion of warranty provisions calculated in respect of individual cases occurring on an irregular basis is recognised only when the utilisation of the provision is considered likely, a payment relating thereto is deemed probable and a reliable estimate can be made. The portion of the warranty provision whose utilisation is not due within one year after the reporting date is discounted.

30 OTHER LIABILITIES

Other liabilities comprise the following items:

in € '000	31/12/2022	31/12/2021
Payables to workforce	11,879	10,455
Payables relating to social security	2,018	1,783
Liabilities relating to credit notes and commissions	1,015	1,059
Tax payables	1,808	2,034
Liabilities from contracts with customers	502	157
Other	6,551	4,701
	23,773	**20,189**

The item entitled “Other” primarily includes deferrals/accruals for outstanding invoices, complaints and advance payments received.

[31] STATEMENT OF CASH FLOWS

The statement of cash flows presents changes to cash and cash equivalents during the financial year by outlining cash inflows and outflows. In accordance with IAS 7, the statement of cash flows includes information relating to cash flows from operating activities, investing activities and financing activities.

As at 31 December, total cash and cash equivalents were as follows:

in € '000	31/12/2022	31/12/2021
Cash and cash equivalents	65,716	54,055
	65,716	**54,055**

The effects of changes to cash and cash equivalents attributable to exchange rates were €265 thousand (previous year: €1,843 thousand) at Group level.

Cash flows from investing and financing activities are accounted for directly, i.e. on a payments basis. Cash flows from operating activities are determined indirectly on the basis of earnings before taxes, i.e. via changes to operating items in the Group statement of financial position, having eliminated changes relating to acquisitions and currency translation.

The changes in liabilities from financial transactions relate to the following items:

As at 1 January, financial liabilities amounted to €13,925 thousand. In the current financial year, bank loans at a nominal amount of €45,000 thousand were added as a result of the company acquisition, of which €2,045 thousand were repaid in the fourth quarter of 2022. Short-term money market loans were taken out in the amount of €14,000 thousand. In addition, the line of credit with a foreign bank was utilised in the amount of €1,496 thousand. The KfW loans were repaid on schedule in the amount of €3,425 thousand. As at 31 December, financial liabilities amounted to €68,951 thousand.

The changes in liabilities from leases are as follows:

As at 1 January, lease liabilities amounted to €2,060 thousand. In the current financial year, an addition of €6,887 thousand was recorded with regard to the initial consolidation of PEAK. Repayments amounted to €1,595 thousand and other changes totalled €1,304 thousand. As at 31 December, lease liabilities amounted to €8,656 thousand.

SUSTAINABLE GROWTH

[32] RELATED-PARTY DISCLOSURES

Entities and persons with control over the SIMONA Group or who are exposed to the significant influence of SIMONA AG, as well as associated entities and persons, including close members of the family and intermediate entities, with significant influence over the financial and operating policies of the SIMONA Group are to be disclosed in accordance with IAS 24. The Global Management Team (comprising the Management Board of SIMONA AG, CEO SIMONA America and CEO SIMONA Asia-Pacific) as well as the Supervisory Board of SIMONA AG are considered to be management in key positions.

Management Board

- Matthias Schönberg,Chairman of the Management Board, Oberursel
- Dr. Jochen Hauck, Mainz
- Michael Schmitz, Sprendlingen

Supervisory Board

- Dr. Ing., Dipl.-Wirt. Ing. Klaus F. Erkes, Überlingen
  Chairman of the Supervisory Board
  Chairman of the Managing Board of Zollern GmbH & Co.KG (CEO), Sigmaringen (until 31 March 2022)
  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 Stoll Textilmaschinenfabrik GmbH, 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. Roland Reber, Stuttgart
  Deputy Chairman of the Supervisory Board
  Managing Director of Ensinger GmbH, Nufringen
- Roland Frobel, Isernhagen
  Tax Consultant
  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
  Chairman of the Executive Board of Kreissparkasse Biberach, Biberach
  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
- Markus Stein, Mittelreidenbach
  Employee Representative

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 Ltd., 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., Archbald, 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., Breslau, Poland
- SIMONA Stadpipe AS, Stadlandet, Norway
- SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Düzce, Türkiye
- SIMONA PEAK Pipe Systems Limited, Chesterfield, United Kingdom

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 €5,746 thousand (previous year: €5,419 thousand) were transacted between SIMONA AG and the entities of the Ensinger Group.

Beyond this, companies of the SIMONA Group entered into no 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. This also applies to close family members of the aforementioned persons.

Receivables from related parties relate to trade receivables from the Ensinger Group totalling €747 thousand (previous year: €649 thousand).

Payables to related parties consist of compensation to Supervisory Board members of SIMONA AG and amount to €176 thousand in the period under review (previous year: €245 thousand).

There are no other outstanding balances or obligations towards related parties beyond the compensation of the Management Board and pensions.

As part of its ordinary operating activities, SIMONA AG provides various services for the subsidiaries included in the consolidated financial statements. Conversely, the respective Group companies render services within the SIMONA Group in the context of their business purpose.

Business relationships exist with associates on a commission/agency basis in respect of the sale of products in the United States; this business totals €5,005 thousand (previous year: €3,496 thousand). These are accounted for in other expenses as sales commission. At the end of the reporting period, receivables from associated companies amounted to €3,879 thousand (previous year: €1,769 thousand).

The supply and business relations between the respective persons and companies are conducted on arm's length terms.

Compensation of members of the Management Board and Supervisory Board

MANAGEMENT BOARD COMPENSATION ACCORDING TO IAS 24.17

in € '000	2022	2021
Short-term benefits		
Fixed salary and fringe benefits	975	928
Annual bonus	783	784
	1,758	**1,712**
Other long-term benefits	1,303	1,006
Total compensation	**3,061**	**2,718**

The variable component of Management Board compensation is based on earnings performance within the Group and a long-term incentive programme. As regards the performance periods 2019 to 2021, average Group NOPAT (net operating profit after tax) is used as the key performance indicator, calculated on the basis of a three-year performance period. The first performance period encompasses the financial years 2020 to 2022, the second performance period comprises the financial years 2021 to 2023 and the third performance period covers the financial years from 2022 to 2024. As from the 2022 financial year, long-term variable compensation will be supplemented by an ESG bonus, the calculation of which will be analogous to the LAP. Payment in respect of LAP and ESG compensation occurs subsequent to the adoption of the consolidated financial statements for the final year of the respective performance period. Members of the Management Board do not receive grants in respect of state-managed defined contribution plans, nor do they receive share-based payments or loans. Due to a conversion to reinsured defined contribution plans for active members of the Management Board, pension obligations in respect of these members amount to €600 thousand (previous

SUSTAINABLE GROWTH

year: €422 thousand), which were offset against plan assets in the same amount. Expenses of €192 thousand (previous year: €172 thousand) were recognised for these commitments under other long-term benefits.

Full allocations have been made to pension provisions for former members of the Management Board and their surviving dependants. At the end of the reporting period, these amounted to €10,868 thousand (previous year: €15,972 thousand).

Compensation of former Management Board members and their surviving dependants amounted to €493 thousand (previous year: €482 thousand).

Supervisory Board compensation for the financial year under review amounted to €326 thousand (previous year: €327 thousand). Supervisory Board compensation encompasses no variable components. Alongside their Supervisory Board compensation, staff representatives appointed to the Supervisory Board received remuneration in the form of wages and salaries during the financial year under review, which included retirement benefit obligations in the generally applicable amount in respect of work performed for the company. The company does not grant share-based payments or loans to members of the Supervisory Board.

Total compensation (fixed salary and variable compensation components) in respect of the Global Management Team in the financial year amounts to €5,230 thousand (previous year: €3,992 thousand). This includes variable compensation components of €3,485 thousand (previous year: €2,337 thousand). At the end of the reporting period, bonus-related provisions amounted to €1,928 thousand (previous year: €1,069 thousand) in respect of the Global Management Team.

[33] FINANCIAL RISK MANAGEMENT

Principles and objectives of financial risk management

The SIMONA Group operates at an international level. Parts of the assets, liabilities and planned transactions are exposed to risks arising from foreign currency market risk, interest rate market risk and default and liquidity risks.

The principal aim of financial risk management is to mitigate risks attributable to ongoing operating and finance-related transactions.

Depending on the risk, the aim is to restrict associated risks by means of derivative financial instruments and non-derivative hedging instruments where required. All hedging instruments are used solely for the purpose of hedging cash flows.

Currency risks

The SIMONA Group is exposed to risks associated with exchange rate fluctuations within the area of investing and financing activities. Risks attributable to foreign currencies are hedged to the extent that they affect significant cash flows of the Group. The risk of exchange rate fluctuations associated solely with the translation of assets and liabilities into the reporting currency of the consolidated financial statements (euros) remains unhedged.

At an operating level, the respective entities within the Group conduct the majority of their business transactions in their functional currency. The parent company essentially manages the foreign currency transactions within the Group and, where appropriate, hedges them within the defined ranges as part of treasury management. As at the reporting date, no foreign exchange forward contracts and currency options were used for the purpose of hedging currency risks associated with operating activities. The risk concentrations of the currencies result primarily from the following sensitivity analysis.

IFRS 7 requires entities to present risk on the basis of sensitivity analyses. These analyses show how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at the end of the reporting date. Exchange rate movements may occur in the case of primary financial instruments.

If, as at 31 December 2022, the euro had appreciated (depreciated) by 10 per cent against all other currencies, earnings before taxes would have been €4,479 thousand lower (€5,473 thousand higher). The hypothetical effect on profit is attributable to the following sensitivity of exchange rates:

in € ’000	Effect on profit before taxes	
EUR / USD	–808	(987)
EUR / GBP	–18	(22)
EUR / CHF	–376	(460)
EUR / CZK	829	(–1,013)
EUR / PLN	–98	(119)
EUR / HKD	–829	(1,014)
EUR / CNY	–1,547	(1,890)
EUR / RUB	–12	(14)
EUR / SGD	39	(–48)
EUR / NOK	–196	(239)
EUR / INR	–351	(429)
EUR / TRY	–4	(5)
	–1,109	**(1,356)**

If, as at 31 December 2021, the euro had appreciated (depreciated) by 10 per cent against all other currencies, earnings before taxes would have been €4,177 thousand lower (€5,105 thousand higher). The hypothetical effect on profit is attributable to the following sensitivity of exchange rates:

in € ’000	Effect on profit before taxes	
EUR / USD	–1,106	(1,351)
EUR / GBP	–98	(120)
EUR / CHF	–316	(386)
EUR / CZK	617	(–755)
EUR / PLN	–32	(39)
EUR / HKD	–938	(1,147)
EUR / CNY	–1,295	(1,583)
EUR / RUB	–116	(141)
EUR / SGD	40	(–49)
EUR / NOK	–2	3
EUR / INR	–199	(243)
EUR / TRY	–714	(873)
	–4,177	**(5,105)**

Interest-rate risk

In accordance with IFRS 7, interest-rate risks are addressed in the form of sensitivity analyses. These present the effects of changes in market interest rates on interest income, interest expense and items in the statement of financial position. Financial instruments that are generally subject to interest rate risk relate to the short-term overdraft facilities utilised at the end of the reporting year, the portions of variable-rate bank loans and an interest rate swap. The interest rate risk (interest rate change +/- 1.5 percentage points) related to the variable-interest portion of acquisition financing, after taking into account economic hedging by means of the interest rate swap, amounts to approximately -/+ €456 thousand (EBT before taxes).

Option rights arose within the scope of the acquisition of interests in SIMONA Stadpipe AS in the 2020 financial year (see Note 26). The purchase prices calculated for the respective remaining and exercisable interests in SIMONA Stadpipe A.S. were discounted on an accrual basis. The discount rate corresponds to the incremental borrowing rate of SIMONA AG. This is subject to the usual interest rate risk.

In the context of financing in respect of the acquisition of SIMONA PEAK Pipe Systems Limited, an interest rate swap was entered into, which limits the interest rate risk to a fixed rate of 2.1 per cent (see Note 35).

Default risks

The default risk arises primarily from cash and cash equivalents as well as outstanding customer receivables, which are reported in the consolidated statement of financial position under trade receivables. Customer receivables are monitored on a decentralised basis in each legally independent Group company and reported as part of the monthly financial statements. Depending on the credit rating of the customer, receivables are subject to the risk of default, which is mitigated primarily with the help of trade credit insurance. On average, around 70 per cent of sales revenue generated by SIMONA AG, having factored in a deductible, is safeguarded by a trade credit insurance policy.

Impairment of financial assets

The Group mainly has one type of financial asset that is subject to the model of expected credit losses: trade receivables from the sale of goods. Cash and cash equivalents are also subject to the impairment provisions of IFRS 9, but the identified impairment loss is immaterial.

SUSTAINABLE GROWTH

Customer receivables exposed to a probable default risk are regularly monitored and the associated default risk is accounted for by impairment losses. The basis for determining impairment is primarily assumptions about the customer's country and industry risk, overdue receivables (more than 90 days) and available information about payment-related difficulties in individual cases. The country or sector risk is determined on the basis of the available S&P country ratings or historical S&P default data for sectors. The maximum potential credit risk is limited to the net carrying amount (less value-added tax) of the financial assets. The default risks mainly relate to impaired customer receivables in the Europe segment amounting to €2,238 thousand (previous year: €1,887 thousand). As a result of the war in Ukraine, management has decided to liquidate the subsidiary OOO SIMONA RUS in 2023. In this context, the write-down of receivables amounted to €486 thousand.

Trade receivables are derecognised when it is no longer probable that they will be realised. This is indicated by the debtor's failure to commit to an instalment payment plan and its failure to make contractual payments after more than 90 days of default. Impairment losses are recognised in operating profit under "Other expenses" (losses from the derecognition of financial assets and impairment losses).

As in the previous year, there are no significant risk concentrations in the Group, given the various international sales markets and diversified customer structure.

Liquidity risk

In order to ensure solvency and financial flexibility, the Group continuously monitors liquidity from operating activities as well as payment expectations from commitments for capital investment orders placed by Group companies. The liquidity status is reported regularly. Risk concentrations result from the following issuer rating.

Alongside cash and cash equivalents amounting to €65.7 million (previous year: €54.1 million), the SIMONA Group has undrawn borrowing facilities of €46.7 million (previous year: €36.7 million). The Group's objective is to maintain a well-judged balance between ongoing coverage of cash requirements and sustained flexibility through the utilisation of borrowing facilities and loans.

Credit risk relating to cash exists solely as a result of business relationships with banks, which have the following long-term rating:

ISSUER RATING CASH

in € '000	**31/12/2022**	**31/12/2021**
A1	929	1,609
Aa3	18,547	16,207
Baa1	14,715	1,383
Baa2	0	8,631
No rating	31,500	26,225
	65,691	**54,055**

The maturity structures of payment obligations (consisting of principal repayments and interest payments) relating to the financial liabilities of the Group were as follows.

in € '000	**Up to 1 year**	**2-5 years**	**More than 5 years**	**Total**
Financial liabilities	32,592	32,770	3,589	68,951
Liabilities under leases	1,497	3,046	4,113	8,656
Other financial liabilities	2,818	11,120	0	13,938
Trade payables	32,635	0	0	32,635
Financial liabilities 31 December 2022	**69,541**	**46,936**	**7,702**	**124,180**

in € ’000	Up to 1 year	2-5 years	More than 5 years	Total
Financial liabilities	8,920	5,004	0	13,924
Liabilities under leases	880	1,170	11	2,061
Other financial liabilities	3,037	12,048	0	15,085
Trade payables	34,326	0	0	34,326
Financial liabilities 31 December 2021	**47,163**	**18,222**	**11**	**65,396**

The interest rate swap recognised at the end of the year may give rise to payment claims or payment obligations in the future.

As in the previous financial year, at the end of the reporting period there were no foreign exchange forward contracts or currency options that would result in amounts due to the entity or payment obligations.

Capital management

Among the key financial goals of the SIMONA Group are objectives to raise enterprise value in a sustainable manner, ensure solvency and sufficient liquidity reserves and achieve an equity ratio of at least 50 per cent.

The Group manages its capital structure primarily on the basis of the equity ratio and makes adjustments in response to changing economic conditions where such action is deemed appropriate. Consolidated equity is used as a basis.

External financing is mainly conducted via short- and long-term bank borrowings and bank loans. Additionally, the return on operating assets is reviewed annually as part of the forecasting process and is an important criterion when it comes to managing the Group’s investment budget. Return on capital employed (ROCE) is used as a performance indicator with regard to profitability.

The equity ratio as at 31 December 2022 was 60 per cent (previous year: 52 per cent) and is calculated as follows:

in € ’000	31/12/2022	31/12/2021
Issued capital	15,500	15,500
Capital reserves	40,627	15,274
Revenue reserves	304,093	219,120
Other reserves	8,455	6,580
Treasury shares	0	–597
Non-controlling interests	7,730	6,161
Group equity	376,405	262,038
Total assets	621,093	508,505
Equity ratio	**61 %**	**52 %**

The debt-to-equity ratio was 56 per cent (previous year: 88 per cent) and is calculated as follows:

in € ’000	31/12/2022	31/12/2021
Provisions for pensions	49,473	135,678
Financial liabilities	68,951	13,925
Trade payables	32,635	34,326
Income tax liabilities	6,472	4,086
Liabilities under leases	8,656	2,061
Other provisions	7,524	6,197
Other financial liabilities	12,969	15,086
Other liabilities	24,740	20,189
Debt	211,420	230,931
Equity	376,405	262,038
Debt-to-equity ratio	**56 %**	**88 %**

SUSTAINABLE GROWTH

[34] FINANCIAL INSTRUMENTS

The following table presents the carrying amounts of all financial instruments recognised by the Group.

FINANCIAL INSTRUMENTS BUCHWERT

in € '000		31/12/2022	31/12/2021
Non-current financial assets	Financial assets	281	340
	Derivative financial instruments	408	0
Current financial assets	Trade receivables	88,863	82,363
	Other financial assets	304	300
	Cash and cash equivalents	65,716	54,055
Non-current financial liabilities and other financial liabilities	Loans	–36,358	–5,005
	Other financial liabilities	–10,152	–12,048
Current financial liabilities and other financial liabilities	Loans	–32,592	–8,920
	Trade payables	–32,635	–34,326
	Other financial liabilities	–2,818	–3,038
Total by measurement category	AC - Amortised Cost assets	155,164	137,058
	AC - Amortised Cost liabilities	–115,522	–63,336
	FVtPL - Fair Value through Profit and Loss assets	408	0

The non-current financial assets classified as “AC – Amortised Cost” are interests in affiliated companies that are valued at acquisition cost for the purpose of simplification. No active market exists for these instruments and the fair value cannot be otherwise reliably determined. These interests are measured at cost of purchase. There are no plans to dispose of interests in the near future.
With the exception of the interest rate swap, the aforementioned financial instruments in respect of assets predominantly have short residual terms to maturity. Therefore, their carrying amounts at the reporting date approximate their fair values. The cash and cash equivalents held as “AC – Amortised Cost” include time deposits with a maximum term of three months. The fair value of loans was determined by discounting the expected future cash flows on the basis of the prevailing market rate of interest as well as by applying option pricing models. Within this context, the calculation takes into account that the loans are subject to floating or fixed interest rates on the basis of standard market terms and conditions. The following table presents the net gains and losses from subsequent measurement of financial instruments recognised in the statement of financial position, listed according to the respective measurement categories:

NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

in € '000	Interest	Fair Value	Currency translation	Impairment loss / Disposal	Total 2022
AC assets	87	0	–215	–1,204	–1,333
AC liabilities	–1,796	0	–3,582	–7	–5,386
FVtPL assets	0	408	0	0	408
	–1,709	**408**	**–3,798**	**–1,211**	**–6,311**

in € '000	Interest	Fair Value	Currency translation	Impairment loss / Disposal	Total 2021
AC assets	157	0	354	–252	259
AC liabilities	–246	0	28	4,148	3,930
	–89	**0**	**381**	**3,896**	**52**

The principal methods and assumptions used in determining the fair values of financial instruments and in classifying them according to the three-level fair value hierarchy are explained below.

With the exception of derivative financial instruments and non-current and current financial liabilities (loans), no fair value hierarchy is disclosed for financial assets and liabilities, as the carrying amount is a reasonable approximation of fair value.

Other assets include a derivative financial instrument that is measured at fair value through profit or loss. The fair value is determined using input factors that are based on predominantly observable market data (Level 2). The measurement of interest rate swaps is conducted in the form of discounting the future cash flows on the basis of the market interest rates applicable at the end of the reporting period for the remaining term of the contracts.

In the majority of cases, the loans are subject to variable interest rates. In this context, the assumption in respect of these loans is that the carrying amount approximates the fair value in those cases in which the default risk remains unchanged. The loan for the purpose of financing the purchase price of SIMONA PEAK Pipe Systems Limited, which is subject to a fixed interest rate, had a carrying amount of €10,845 thousand and a fair value of €10,503 thousand as at the reporting date. The fair value is determined using input factors that are based on predominantly observable market data (Level 2). Measurement is conducted by discounting the future cash flows on the basis of the market interest rates applicable at the end of the reporting date for the remaining term of the respective loans.

[35] HEDGING TRANSACTIONS

Cash flow hedging instruments

At the end of the reporting period, as was the case in the previous financial year, the Group held no forward currency contracts or currency options.

As part of the purchase price financing for SIMONA PEAK Pipe Systems Limited, an interest rate swap with a nominal value of €11,250 thousand was concluded for the purpose of hedging the interest rate risk. At year-end, the underlying loan amount was €10,688 thousand. The fair value of the interest rate swap amounted to €408 thousand. The interest rate swap pays a fixed interest rate of 1.59 per cent on the nominal amount and receives a floating interest rate equal to the 3-month EURIBOR +0.60 per cent. In this context, the variable interest payment is converted in economic terms into a fixed interest payment.

The requirements for hedge accounting are not met. Thus, the hedge existing in economic terms is not recognised in the statement of financial position.

SUSTAINABLE GROWTH

[36] OTHER INFORMATION

Subsidiaries and associated companies

Alongside SIMONA AG as the parent, the consolidated financial statements include the following entities. Unless otherwise specified, the ownership interest in the previous year was identical to that of the financial year under review.

OWNERSHIP INTEREST

Subsidiaries (IFRS 10)	in %
SIMONA Beteiligungs-GmbH, Kirn, Germany	100.0
SIMONA Produktion Kirn GmbH & Co. KG, Kirn, Germany	100.0
SIMONA Kirn Management GmbH, Kirn, Germany	100.0
SIMONA Produktion Ringsheim GmbH & Co. KG, Ringsheim, Germany	100.0
SIMONA Ringsheim Management GmbH, Ringsheim, Germany	100.0
SIMONA Immobilien GmbH & Co.KG, Kirn, Germany	100.0
SIMONA Immobilien Management GmbH, Kirn, Germany	100.0
SIMONA UK Ltd., Stafford, United Kingdom	100.0
SIMONA PEAK Pipe Systems Limited, Chesterfield, United Kingdom	100.0
SIMONA S.A.S., Domont, France	100.0
SIMONA S.r.l. Società UNIPERSONALE, Cologno Monzese (MI), Italy	100.0
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain	100.0
SIMONA POLSKA Sp. z o.o., Breslau, Poland	100.0
SIMONA FAR EAST LIMITED, Hongkong, China (in liquidation)	100.0
SIMONA AMERICA Group Inc., Archbald, USA	100.0
Power Boulevard Inc., Archbald, USA	100.0
SIMONA Boltaron Inc., Newcomerstown, USA	100.0
SIMONA PMC, LLC, Findlay, USA	100.0
Industrial Drive Inc., Archbald, USA	100.0
SIMONA AMERICA Industries LLC, Archbald, USA	100.0
SIMONA ASIA LIMITED, Hongkong, China	100.0
SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China	100.0
DEHOPLAST POLSKA, Sp. z o.o., Kwidzyn, Poland	51.0
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic	100.0
OOO SIMONA RUS, Moscow, Russian Federation (in liquidation)	100.0
SIMONA INDIA PRIVATE LIMITED, Mumbai, India	100.0
SIMONA ASIA PACIFIC PTE. LTD., Singapore, Singapore	100.0
SIMONA Stadpipe AS, Stadlandet, Norway	74.93
SIMONA Stadpipe Eiendom AS, Stadlandet, Norway	100.0
SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Düzce, Türkiye	70.0
Associates (IAS 28)	
CARTIERWILSON, LLC, Marietta, USA	25.0

With effect from 28 February 2022 SIMONA PEAK Pipe Systems Limited, Chesterfield, United Kingdom, was fully consolidated for the first time.

As part of restructuring within the Americas segment, the companies DANOH, LLC, Akron, USA, and 64 NORTH CONAHAN DRIVE HOLDING, LLC, Hazleton, USA, were merged into SIMONA AMERICA GROUP INC., Archbald, USA, upon entry in the relevant commercial register on 24 March 2022. The merger effect is immaterial and amounts to less than €10 thousand. As a result, the scope of consolidation was reduced by two fully consolidated companies.

The entities SIMONA FAR EAST LIMITED, Hong Kong, China, and OOO SIMONA RUS, Moscow, Russian Federation, are in liquidation as at the end of the reporting period but remain fully consolidated.

There were no changes to the ownership interests held in subsidiaries in the financial year under review.

Financial assets

SIMONA AG holds at least a one-fifth interest in the following entities, without being able to control or significantly influence the financial and operating policies of the entities in question. Unless otherwise specified, the ownership interest in the previous year was identical to that of the financial year under review.

COMPANY

	Ownership interest	Equity 31/12/2021	Profit 2021
	%	EUR ‘000	EUR ‘000
SIMONA Sozialwerk GmbH, Kirn, Germany	50.0	10,631	–767
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn, Germany	50.0	415	588

Owing to its classification as a pension fund, SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH are not included in the consolidated financial statements, as specified in IAS 19.8.

Corporate acquisitions

Effective from 28 February 2022, the Group acquired 100.00 per cent of the voting equity interests in PEAK Pipe Systems Limited (PEAK), a non-listed entity headquartered in Chesterfield, United Kingdom. The entity was renamed SIMONA PEAK Pipe Systems Limited.

The acquisition underpins the SIMONA Group's strategic realignment, the aim being to achieve a strong focus on applications, in addition to supporting the Group in its efforts to achieve its growth targets in the infrastructure and aquaculture markets within the EMEA region. Furthermore, the Group's product portfolio in the UK will be expanded significantly as a result of the acquisition, while its overall position in this attractive, segregated market will be further improved.

The total consideration transferred (purchase price) amounts to €45,914 thousand, of which €44,154 thousand was paid in cash and €1,760 thousand is attributable to the earn-out valuation. The earn-out clause is to be calculated at the end of the financial year 2022 and 2023; it is based on the entity's EBITDA. The payment for the acquisition less acquired net cash and plus repaid bank loans amounts to €38,015 thousand. The costs associated with the business combination total €218 thousand and are recognised in the income statement under other expenses. The following information pertaining to definitive purchase price allocation details the values of the principal groups of identifiable assets and liabilities acquired at the date of purchase:

Intangible assets of €15,230 thousand, property, plant and equipment of €3,412 thousand, right-of-use assets of €6,887 thousand, inventories of €3,974 thousand, trade receivables from customers of €5,394 thousand and other assets of €0 thousand, cash and cash equivalents of €7,900 thousand, trade payables, other liabilities and financial liabilities of €11,365 thousand and deferred tax liabilities of €4,350 thousand. The gross value of the acquired customer receivables amounts to €5,394 thousand. No impairments or uncollectible receivables were identifiable at the date of acquisition. Intangible assets were attributable mainly to customer relationships and brands. The Group has recognised the entire goodwill resulting from the purchase price allocation in the amount of €18,834 thousand. It includes non-separable intangible assets such as expertise relating to personnel as well as anticipated synergy effects from the product portfolio and sales. Goodwill is tax-deductible in full in the United Kingdom. No contingent liabilities were assumed.

In the period from 28 February to 31 December 2022, the acquired entity generated consolidated revenues of €43,131 thousand and a profit for the period (including the effects of purchase price allocation) of €3,728 thousand. If the acquired company had been included in the consolidated financial statements since 1 January 2022, Group sales revenue would have been €48,660 thousand and the profit for the period would have been €4,917 thousand.

Average number of staff employed during the financial year

GROUP

	2022	2021
Industrial staff	1,009	909
Clerical staff	612	557
Employees	**1,621**	**1,466**
School-leavers (apprentices)	66	64
Gesamtbelegschaft	**1,687**	**1,530**

Contingent liabilities

Contingent liabilities relate in particular to extended warranty periods regarding the sale of plastic products. No information on the financial implications and uncertainties relating to the amount or timing of any outflow has been disclosed as it is not practicable to do so. At present, SIMONA does not expect any outflow from contingent liabilities.

Order commitments

ORDER COMMITMENTS

in € '000	31/12/2022	31/12/2021
Investment projects	33,004	14,472
Raw material orders	36,358	36,993
	69,362	**51,465**

The share of intangible assets in total commitments is negligible.

SUSTAINABLE GROWTH

Declaration of Conformity regarding the German Corporate Governance Code

In accordance with Section 161 AktG, SIMONA AG – as the only exchange-listed entity within the Group – filed a Declaration of Conformity on 6 April 2023. It has been made permanently available to shareholders on its corporate website.

Disclosures under Section 313(2) HGB

SIMONA Kirn Management GmbH, Kirn, is the general partner of SIMONA Produktion Kirn GmbH & Co. KG, Kirn. SIMONA Ringsheim Management GmbH, Ringsheim, is the general partner of SIMONA Produktion Ringsheim GmbH & Co. KG, Ringsheim. SIMONA Immobilien Management GmbH, Kirn, is the general partner of SIMONA Immobilien GmbH & Co.KG, Kirn.

SIMONA AG, Kirn, 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.

Directors' holdings – Shares held by members of the Management Board and Supervisory Board of SIMONA AG

Members of the Management Board did not report any shareholdings in SIMONA AG as at 10 June 2022 (date of the Annual General Meeting).

As at 10 June 2022 (date of the Annual General Meeting of Shareholders) the members of the Supervisory Board reported a total holding of 13,000 shares; this corresponds to approx. 0.22 per cent of the share capital of SIMONA AG.

In accordance with Section 15a of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG), the members of the Supervisory Board and the Management Board, as well as related parties, are legally obliged to disclose all significant acquisitions or disposals of shares in SIMONA AG.

Audit fees

In the 2022 financial year, the following fees were recognised in respect of the auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main (PWC): year-end audit of financial statements €489 thousand and other assurance services €38 thousand.

Events after the reporting period

No significant events occurred after the reporting date that would necessitate a change to measurements or recognised amounts.

Responsibility Statement

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

Kirn, 17 April 2023

SIMONA Aktiengesellschaft
The Management Board

Matthias Schönberg Dr. Jochen Hauck Michael Schmitz

REPRODUCTION OF THE AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To SIMONA Aktiengesellschaft, Kirn

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of SIMONA Aktiengesellschaft, Kirn, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of SIMONA Aktiengesellschaft, which is combined with the Company's 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 group 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 consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the group management report referred to in the subsection "Other information".

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

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group 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 Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities 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 consolidated financial statements and on the group management report.

SUSTAINABLE GROWTH

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated 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 consolidated 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 matters of most significance in our audit were as follows:

1. Recoverability of Goodwill
2. Acquisition of SIMONA Peak Pipe Systems Limited

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1. Recoverability of Goodwill

1. In the Company's consolidated financial statements goodwill amounting in total to € 40.3 million (7.9 % of total assets or 15.4 % of equity) is reported under the "Intangible Assets" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the one year business plan prepared by the executive directors and approved by the supervisory board of the Group forms the starting point which is extended by detailed forecast calculations for further three planning years and extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors on the business activities of the Group are also taken into account. The discount rate used is the weighted average cost of capital for the respective group of cash-generating units. The impairment test determined that no write-downs were necessary.

   The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2. As part of our audit, we assessed the methodology used for the purposes of performing the impairment test. After matching the future cash inflows used for the calculation against the approved one year business plan of the Group and the forecast calculations for the second to the fourth planning year, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. Adjustments to the planning calculations for the purposes of the impairment test were discussed and comprehended by us with the responsible employees of the Company. In addition, we also assessed the appropriate consideration of the costs of group functions. In the knowledge that even relatively small changes in the discount rate 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. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by the discounted future cash flows.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3. The Company's disclosures on impairment testing on goodwill are contained in note 17 of the notes to the consolidated financial statements.

2. Acquisition of SIMONA Peak Pipe Systems Limited

1. On February 28, 2022, SIMONA Aktiengesellschaft acquired 100 % of the shares in SIMONA PEAK Pipe Systems Limited, Chesterfield/UK for a purchase price of € 45.5 million and accounted for the business combination using the acquisition method in accordance with IFRS 3 in the consolidated financial statements of SIMONA Aktiengesellschaft. As par tof the purchase price allocation the assets and liabilities acquired are recognized at fair value as of the respective acquisition date. Taking into account acquired net assets of € 27.58 million, the resulting purchased goodwill amounts to € 17.92 million. Due to the complexity of measuring the acquisitions and their material impact, in terms of amount, on the assets, liabilities, financial position, and financial performance of SIMONA Group, they were of particular significance in the context of our audit

2. As part of our audit of the acquisition, among other aspects, we first inspected and understood the contractual agreements. In this context, we reconciled the purchase price paid by SIMONA AG as consideration for the assets received with the evidence presented to us regarding the payments made. Based on this, the opening balance sheet values underlying the acquisition of the company were assessed as part of the audit of the consolidated financial statements, in particular the valuation methods underlying the opening balance sheet values. Considering the specialties and complexity of the valuation in connection with the purchase price allocation, our internal valuation specialists supported us. Together with them, we assessed the valuations underlying the purchase price allocation and verified whether the agreements of the purchase contract were appropriately taken into account. In particular, we assessed the appropriateness of the assumptions and parameters used. In addition, we verified the accounting treatment of the acquisition and its presentation in the cash flow statement. By using checklists, we verified the completeness of the disclosures in the notes required by IFRS 3. Overall, we were able to satisfy ourselves that, taking into account the available information, the acquisition was sufficiently documented and appropriately presented.

3. The Company's disclosures on the illustration of the acquisition and the related goodwill are included in Notes 17 and 35 to the consolidated 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

SUSTAINABLE GROWTH

The other information comprises further

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB, which we obtained prior to the date of our auditor's report
- all remaining parts of the annual report, which are expected to be made available to us after the date of the auditor's report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

Our audit opinions on the consolidated financial statements and on the group 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 consolidated financial statements, with the group 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 Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated 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 consolidated financial statements, the executive directors are responsible for assessing the Group'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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated 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 group 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 group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated 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 consolidated financial statements and on the group 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 consolidated financial statements and this group 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 consolidated financial statements and of the group 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 consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group 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.

- 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 Group'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 consolidated financial statements and in the group 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 Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group 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.

SUSTAINABLE GROWTH

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 consolidated 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 Consolidated Financial Statements and the Group 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 consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file SIMONA_AG_KA+KLB_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 consolidated financial statements and the group 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 consolidated financial statements and the group 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 consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group 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 consolidated financial statements and the group 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 "Group 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 consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 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.

Group 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 consolidated 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 consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group 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 group 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).

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

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group 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.

SUSTAINABLE GROWTH

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)

SUSTAINABLE GROWTH

OTHER INFORMATION

Responsibility Statement pursuant to Sections 297(2), 315(1) HGB

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

Kirn, 17 April 2023

SIMONA Aktiengesellschaft
The Management Board

Matthias Schönberg Dr. Jochen Hauck Michael Schmitz

FINANCIAL CALENDER 2023

2023	
24 April	Annual Press Conference
	SIMONA Group Consolidated Financial Statements and Financial Statements of SIMONA AG for FY 2022
	Press Release on the First Quarter of 2023
02 Juni	Annual General Meeting 2023
02 August	Group Interim Report for the First Half of 2023
27 Oktober	Press Release on the Third Quarter of 2023

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