SIMONA

PART OF THE FUTURE

Financial Statements 2023

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PART OF THE FUTURE

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).

PART OF THE FUTURE

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 encompass 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 sector; these activities are included in the Others business line.

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 in Germany and subsidiaries in the United Kingdom, Italy, France, Spain, Poland, the Czech Republic, Hong Kong, China, India, Norway, Türkiye and the United States, both directly to end customers and via trading partners. Beyond this, SIMONA AG operates a sales office in Möhlin, Switzerland. It contributes around two 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) manufactures sheet products. The plant in Jiangmen (China) manufactures semi-finished products (sheets, rods, welding rods) and pipes. 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, the SIMONA Global Management Team (GMT) consists of the Management Board of SIMONA AG and the regional CEOs in the Americas, Adam Mellen, and Asia-Pacific, Shaobin Wang. 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

Objectives

Focusing on thermoplastic sheets, rods, pipes and fittings, the SIMONA Group aims to supply industries undergoing global expansion and to generate profitable growth. This is measured on the basis of annual targets for sales revenue, sales volume and return on sales, which are defined as part of the budgeting and forecasting process and tracked throughout the year. In the medium and long term, the aim is to achieve an EBIT margin of 6 to 8 per cent, a target that has already been met in recent years. Revenue growth is to be achieved organically and through corporate acquisitions. With a clearly defined focus on the end applications of its products, SIMONA endeavours to offer the ultimate in end-customer orientation for sustainable thermoplastic solutions across all its fields of application. SIMONA maintains a close and trusting relationship with all stakeholders and addresses long-term staffing requirements by retaining skilled personnel and management professionals at an early stage. SIMONA is establishing a process-oriented organisation based on open lines of communication and a feedback culture that is subject to ongoing refinement by well-trained staff. Sustainability aspects form an integral part of the corporate strategy and are based on the three pillars of sustainable products, sustainable production and processes, and employee appreciation.

Strategies

Strategic initiatives are drawn up and milestones defined for the purpose of achieving corporate goals. This is the responsibility of the sales units organised within a matrix structure and the business lines focused on end applications. In addition, global growth markets are cultivated and developed in cross-regional and interdisciplinary Global Working Groups. In an effort to achieve its long-term sustainability goals, SIMONA established a separate department that reports directly to the CEO and created a Global Sustainability Board, which is responsible for reviewing the strategy, making milestone decisions and monitoring their implementation on a regular basis. In this context, a 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). Embracing the concept of “A company like a friend”, HR development and recruitment strategies as well as stakeholder communication are implemented under one roof.

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.

SIMONA’s earnings performance is analysed and assessed on the basis of metrics determined in accordance with IFRS, primarily sales revenue as well as EBIT margin and EBITDA margin, both expressed as a percentage of sales revenue. 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 operating 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), with EBIT being divided by capital employed.

Accordingly, the most important, i.e. key, financial performance indicators for SIMONA AG and the Group are sales revenue, EBIT, EBITDA and ROCE. Among the subordinate non-financial performance indicators used are CO_2 emissions, customer satisfaction, headcount and staff training as well as quality management. In addition to the four key financial performance indicators mentioned above, the SIMONA Group has defined other financial performance indicators that are monitored by the Management Board on an ongoing basis. However, these metrics are of minor importance and are therefore not subject to forecasting. These additional financial performance indicators include CAPEX (amount of capital expenditure), tonnage (sales volume in tons), gross profit (revenue, other income, change in inventories less cost of materials) and gross profit margin (gross profit as a percentage of revenue).

1.4 RESEARCH AND DEVELOPMENT

Research and development is subdivided into the areas of Formula Development, New Products & Applications and Process Development. Revenue generated from recently developed products (no older than three years) fell at a more pronounced rate than Group revenue in the financial year under review. Therefore, the share of these “young products” in total revenue decreased in 2023.

As regards process and material development, the focus in 2023 was on implementing the investment programme aimed at raising efficiency and flexibility levels in line with corporate strategy. At the plants located in Kirn, the Group headquarters, measures were implemented to further develop screw extruder technology for polyolefin products and process technology for products in the Mobility business line. In addition, investments were directed towards modernising solid rod extrusion and improving efficiency. A new machine for pressing fluoroplastic sheets was also put into operation. With a view to establishing a centre of excellence for PVC foam sheets, two extrusion lines were relocated to the SIMONA PLASTECH plant in Düzce, Türkiye.

At the pipe and fittings plant in Ringsheim, investment activity focused on upgrading the machinery and equipment for pipe extrusion as well as on introducing multi-tools for the production of fittings. In addition, the outdoor storage area was expanded. As a result, the plant benefits from greater product availability and is in a position to handle additional project business.

After 12 months of construction, the SIMONA Group officially opened its new plant in China as part of a special event organised for its customers. This plant located on the premises of the production site in Jiangmen in southern China has doubled the production area to a total of 20,000 square metres and provides a platform for future growth in the Asia-Pacific region. Production at the new plant is focused on sheets, thermoplastic pipes and solid rods for industrial applications. The production lines boast a high degree of automation. Prototyping, production, warehousing and logistics have been brought together under one roof, the aim being to raise efficiency levels and reduce energy consumption. In addition, production capacity relating to welding rod and sheet extrusion was expanded at the existing plant.

At the three plants in the Americas, meanwhile, production machinery was modernised and partly automated in an effort to increase efficiency and expand capacity. SIMONA AMERICA Industries in Archbald is planning to cover its factory building with solar panels, the aim being to meet an increasing proportion of its future electricity requirements via renewable solar power. The system is scheduled to go into operation in mid-2024.

The Group also pressed ahead with the development of innovative new products and product enhancements in 2023.

In the Mobility business line, a promising combination of materials for the interior fittings of recreational vehicles such as motorhomes was developed in the form of SIMONA COPLAST-AS-X. Motorhomes rely on complex floor structures in a sandwich construction. Due to the global shortage of raw materials and increasing demands for CO_2 reduction, lightweight construction and recyclability, manufacturers are keen to find long-term solutions capable of replacing the materials previously used in this area. The sheet product developed by SIMONA is sturdy and lightweight as well as featuring low water absorption and a high level of environmental compatibility as additional benefits.

In the Infrastructure business line, the product range was expanded to include segment-welded PE100-RC elbows. They are manufactured from reinforced injection-moulded bends. As a result, these components allow directional changes in the tightest of spaces without any reduction in pressure load capacity, which is common with segmented components. In the area of cable protection, the company further refined its ClearDuct welding method. Thanks to a pioneering butt fusion method, the bead no longer protrudes into the internal bore of the duct. In addition, SIMONA is now deploying a new type of material that combines low sliding friction and high abrasion resistance to manufacture sheets that are used, among other things, for the renovation of bridges. Plastic sheets made from this new material are the perfect choice for the production of sliding pads used in bridge bearings.

In 2023, SIMONA received building authority approval for construction products made of SIMONA PE 100 RC Black and SIMONA PE 100 RC UV White and Blue from the German Institute for Building Technology (DIBT). SIMONA has thus expanded its certified product range in tank and equipment construction for the storage, filling and handling of water-polluting liquids.

SIMONA PVC sheets manufactured at the Jiangmen plant in China now have FM-4910 approval. This is a standard set by Factory Mutual System, a global industrial insurance organisation, with regard to the fire-retardant properties of materials used in cleanroom applications. Among the special requirements are very low flame propagation and smoke gas density, as even the smallest fires can cause extensive contamination of production systems and production processes in cleanrooms. Following this approval, SIMONA PVC-FM is now specified for applications in the semiconductor industry.

SIMONA expanded its range of sustainable products in 2023 and brought them together within the “EcoPlastIQ” brand. The new SIMONA “ISCC PLUS certified“ product line encompassing pipes and fittings is based on the principle of mass balancing. ISCC stands for International Sustainability and Carbon Certification. Comprised of international companies and NGOs, the ISCC organisation provides certification for raw materials that comply with established sustainability regulations. As regards the three different ISCC sustainability categories, SIMONA will initially be focusing on pellets of a biocircular and circular origin, i.e. the pellets used for plastics production originate from biological waste, for example. As they are introduced prior to polymerisation, the properties of ISCC PLUS certified SIMONA products are fully preserved compared to purely fossil-based pellets. The high levels of quality for which SIMONA is renowned when it comes to product functionality and performance are maintained. In addition to pipes and fittings made of PE 100, pipes and fittings made of PP are now also “ISCC PLUS certified”.

As in the previous year, expenses attributable to research and development within the Group again amounted to €5.9 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

Macroeconomic environment

Summarising the state of the global economy and its prospects for the future, the International Monetary Fund (IMF) has predicted that growth will be “resilient but slow”. While showing signs of resilience, the global economic recovery from the COVID-19 pandemic, Russia's invasion of Ukraine and the cost-of-living crisis is not proving to be particularly dynamic, according to the IMF. Inflation is falling faster than expected from its peak in 2022, and the adverse effects on employment and economic activity have been lower than anticipated. The IMF's estimate for global economic growth in 2023 stands at 3.1 per cent. This was fuelled by a consistently dynamic US economy, which is estimated to have grown by 2.5 per cent in 2023. According to projections, growth in the eurozone slowed significantly from 3.4 per cent in 2022 to just 0.5 per cent in 2023. In this context, Germany brings up the rear in the euro area ranking, having been plunged into recession at -0.3 per cent. France (+0.8 per cent) and Italy (+0.7 per cent) also recorded a significant downturn in growth. Although Spain's economy is likely to have grown by 2.4 per cent, it lost considerable momentum in the period under review (2022: +5.8 per cent). China's economic growth is estimated at 5.2 per cent for 2023, significantly higher than in 2022 (+3.0 per cent), but not enough to spark an economic turnaround.

Plastics industry in Germany

The plastics processing industry in Germany recorded a decline in sales revenue in 2023, according to the German Plastics Processing Industry Association (Gesamtverband Kunststoffverarbeitende Industrie e. V. – GKV). Revenue fell by around six per cent compared to the previous year, taking the total to €72.5 billion. The overall volume processed plunged by as much as 9 per cent. In assessing the cause of the decline in revenue, the association points to the unfavourable macroeconomic conditions currently plaguing Germany's industrial sector. It also cites the reluctance of companies to invest at present amid uncertain prospects for the future. Revenue from domestic sales fell by 9.4 per cent, while revenue from international sales remained largely unchanged at –0.3 per cent.

Market conditions – Industry business line

Hopes of a revival of Germany's chemical industry were dashed in the financial year under review. Production (–11 per cent) and revenue (–12 per cent) trended downwards in 2023, based on data published by the German Chemical Industry Association (Verband der Chemischen Industrie e. V. – VCI) At –16 per cent, revenue from domestic sales fell more sharply than revenue from international sales (–10 per cent). The much more moderate decline in revenue from abroad is attributable in part to the positive trajectory of chemical production output worldwide. Global chemical production expanded by 2.3 per cent in the period from January to October 2023, driven by strong growth in Asia.

Initially, a substantial backlog of orders in the area of global mechanical and plant engineering was sufficient to cushion the effects of anaemic sales in the manufacturing sector in 2023. However, this support began to crumble over the course of the year and, despite the need for extensive investment, order intake failed to show any signs of a turnaround. In the EU, production output in the mechanical and plant engineering sector fell by 1.0 per cent in real terms in the first ten months of 2023 and by 3 per cent in the United States over the course of the first eleven months. China's real production output in the mechanical engineering sector grew by 2.6 per cent in the period from January to November, which can be considered a somewhat sluggish performance given the low momentum recorded in the preceding year.

Market conditions – Infrastructure business line

Based on projections by the Euroconstruct research group, which includes the ifo economic research institute, civil engineering in Europe is estimated to have grown by 2.9 per cent in 2023. Growth was driven by essential investments in energy supply, the expansion of transport routes and public transport services. Based on data published by the Central Association of the German Construction Industry, revenue attributable to public-sector civil engineering in Germany is likely to have declined by just under 3 per cent in real terms.

Market conditions – Mobility business line

Market researcher Counterpoint anticipates a further recovery in the market for aircraft interiors. Estimates for 2023 suggest that the market will have grown significantly from around $10 billion in the previous year to around $12 billion. Growth has been fuelled primarily by the sharp rise in global travel following the COVID-19 pandemic. The Global Seat Market Report estimates that the global market for seats in railway carriages grew by

6.5 per cent to $1.72 billion in 2023. This forward momentum was driven by investments in railway infrastructure for the purpose of modernising railway lines around the globe.

Market conditions – Advertising & Building business line

According to calculations by Euroconstruct, construction activity in Europe is likely to have fallen by 1.7 per cent in 2023. The impact seen within the building construction sector, especially residential construction, was particularly severe, while civil engineering projects continued to generate growth. The Central Association of the German Construction Industry estimates a decline in revenue of 5 per cent for Germany in 2023. This is mainly attributable to the residential construction sector, which shrank by 11 per cent.

2.2 COURSE OF BUSINESS – SIMONA GROUP

Sales revenue totalled €600.0 million in the 2023 financial year (previous year: €712.1 million). The -15.7 per cent decline in revenue is due in part to a downturn in sales volumes, alongside lower sales prices. In an intensely competitive business environment, revenue in the sales regions of EMEA and the Americas declined in the period under review, while the Asia-Pacific region recorded a slight expansion in revenue. Thus, the Group fell short of the revenue guidance of €650 to 675 million presented in the previous year's Group management report for the 2023 financial year and the revised revenue guidance of €610 to 630 million presented in the report for the first half of the year.

At €52.9 million, Group earnings before interest and taxes (EBIT) came close to the prior-year figure of €54.1 million, while the EBIT margin rose from 7.6 per cent to 8.8 per cent. Thus, the EBIT margin was positioned above the upper end of the projected EBIT margin of 6 to 8 per cent. The higher EBIT margin is mainly due to the significant improvement in the cost-of-materials ratio from 58.3 per cent to 51.8 per cent and a decline in other expenses related to sales in the financial year.

EBITDA amounted to €75.9 million (previous year: €75.5 million). This translates into a higher EBITDA margin of 12.7 per cent (previous year: 10.6 per cent), which is in excess of the projected EBITDA margin of 10 to 12 per cent.

At 11.2 per cent, Group ROCE was within the range targeted (10 to 12 per cent) and down just slightly on the prior-year figure of 11.4 per cent.

Overall, the Management Board is of the opinion that the direction taken by business, and in particular with regard to earnings performance, was far better than could have been expected, given the uncertainties emanating from the macroeconomic arena, especially towards the end of the year.

Business performance in the EMEA region

The region comprising EMEA saw sales revenue decline by –19.2 per cent to €369.3 million in the period under review (previous year: €456.9 million). The decline in revenue affected all business lines with the exception of the Mobility business line. The EMEA region's share of total revenue fell to 61.6 per cent (previous year: 64.2 per cent). EBIT in the EMEA segment decreased from €19.2 million in the previous year to €16.6 million due to the decline in revenue and higher depreciation, amortisation and write-downs.

Business performance in the Americas region

The region encompassing the Americas saw revenue decline by –13.4 per cent to €179.3 million (previous year: €207.1 million). Sluggish demand from the chemical and leisure-related industries against the backdrop of dire economic conditions was partially offset by the sustained recovery of business in the area of aircraft interior fittings. The share of total revenues attributable to this region rose slightly from 29.1 per cent to 29.9 per cent. In the Americas region, EBIT was up slightly from €32.4 million in the previous year to €33.9 million, mainly as a result of an improved gross profit margin.

Business performance in the Asia-Pacific region

The Asia-Pacific region saw revenue expand to €51.4 million (previous year: €48.1 million) in the period under review. Growth was driven to a large extent by the Industry business line, in particular the markets for semiconductors and photovoltaics, as well as by the Mobility business line. The region's share of total revenue increased to 8.6 per cent (previous year: 6.8 per cent). Asia-Pacific recorded a weaker EBIT of €2.4 million (previous year: €3.0 million) due to the effects of exchange rates.

Revenues within the business lines

The Industry business line generated revenue of €227.5 million (previous year: €266.0 million), a decline in revenue of –14.5 per cent. The Advertising & Building business line achieved revenue of €87.8 million (previous year: €111.3 million; –21.2 per cent). The Infrastructure business line recorded revenue of €103.0 million (previous year: €122.3 million; –15.8 per cent). The Mobility business line achieved an increase in revenue to €77.9 million (previous year: €70.6 million; 10.3 per cent). The remaining revenues from various other fields of application and trade are summarised under “Others” and amounted to €103.9 million (previous year: €141.8 million).

Orders

Order backlog within the Group stood at €73.5 million as at 31 December 2023 (previous year: €142.9 million); of this total, a figure of €23.7 million (previous year: €49.0 million) was attributable to SIMONA AG.

2.3 FINANCIAL PERFORMANCE

Group EBIT fell slightly by –2.1 per cent from €54.1 million to €52.9 million. At 8.8 per cent, the EBIT margin was up on the figure of 7.6 per cent recorded in the previous financial year. Despite a significant decline in revenue, the slight nominal reduction in Group EBIT is attributable primarily to an improved cost-of-materials ratio. At the same time, lower volumes led to a reduction in variable other expenses. At €75.9 million, EBITDA was slightly higher year on year (previous year: €75.5 million) due to higher depreciation, amortisation and write-downs. This corresponds to a higher EBITDA margin of 12.7 per cent (previous year: 10.6 per cent). The return on capital employed (ROCE) was 11.2 per cent (previous year: 11.4 per cent).

Gross profit fell by –4.6 per cent in the period under review, from €304.1 million in the previous year to €290.0 million. The gross profit margin improved from 42.7 per cent a year ago to 48.3 per cent in the period under review.

A decrease in inventories of –€7.6 million was accounted for in the income statement (previous year: increase in inventories of €10.8 million).

Own work capitalised includes own work performed for the first time in the financial year under review as part of the execution of SAP S4/Hana, amounting to €0.3 million.

Other income totalled €9.3 million (previous year: €6.6 million). This includes €0.9 million in income from the reversal of provisions.

The cost of materials fell to €311.7 million (previous year: €425.3 million). The year-on-year reduction is the result of both the decline in commodity prices during the reporting period and the contraction in volume. Compared to the previous year, the cost of energy included in the cost of materials increased by around €1.9 million to €23.0 million.

Staff costs stood at €115.0 million (previous year: €113.4 million), up 1.5 per cent on last year’s figure. The headcount increased slightly in the Asia-Pacific region in particular due to the expansion of production, while it trended lower in EMEA. At the end of the financial year, the total number of employees within the Group was 1,757 (previous year: 1,734).

Depreciation/amortisation and write-downs of property, plant and equipment, right-of-use assets under lease arrangements and intangible assets amounted to €23.0 million (previous year: €21.5 million). This includes depreciation/write-downs of right-of-use assets under lease arrangements totalling €2.0 million.

Other expenses fell year on year, down by -13.7 per cent to €99.4 million (previous year: €115.2 million). The year-on-year change is mainly the result of a business-related reduction in expenses for distribution such as commissions, freight and packaging (€12.2 million) and lower operating costs (€2.1 million). The item also includes higher administrative costs (+€1.7 million).

The reduction in finance income by -€1.8 million to €6.4 million is attributable primarily to hyperinflationary accounting applicable to Türkiye, equivalent to €3.7 million (previous year: €4.8 million). Finance cost of €13.8 million (previous year: €9.5 million) includes €8.5 million in expenses from foreign currency translation (previous year: €6.1 million). In addition, interest expenses relating to financial liabilities increased by €1.8 million to €2.7 million, primarily due to acquisition financing in respect of PEAK.

Taxes on income fell from €15.8 million a year ago to €14.5 million at the end of the reporting period. The Group tax rate stood at 32.0 per cent in the financial year under review (previous year: 29.7 per cent).

In the EMEA region, EBIT fell to €16.6 million (previous year: €19.2 million). In this context, the results posted by the respective sales companies were in positive territory but down markedly on the prior-year figures. The production company in the Czech Republic recorded a year-on-year decline in earnings, as did SIMONA PEAK Pipe Systems in the United Kingdom, which was acquired in 2022. Following a loss in the previous year, the Turkish production company managed to improve its result significantly in the financial year under review, as a result of which its EBIT was in positive territory. In contrast, SIMONA Stadpipe incurred a loss in 2023 due to a slump in investment spending within the fish farming industry as a result of Norway's tax policy. A decrease in inventories of -€8.5 million was accounted for in the income statement (previous year: increase in inventories of €9.6 million). Gross profit fell by €12.0 million compared to the previous year. The cost of materials in the EMEA region amounted to €208.2 million (previous year: €301.4 million) and fell at a more pronounced rate when compared to the decline in revenue. While raw material costs declined, energy costs continued to trend upwards. At –1.3 per cent, staff costs were slightly below the previous year's level. Depreciation, amortisation and write-downs increased by €1.8 million due to more extensive investment activity. Other expenses fell to €68.8 million (previous year: €79.0 million), mainly due to a reduction in variable selling expenses.

EBIT in the Americas was up again slightly at €33.9 million (previous year: €32.4 million). This was attributable in particular to the continued recovery of business within the aviation sector, while business relating to industrial products lost considerable momentum over the course of the year. At €80.3 million (previous year: €107.9 million), the cost of materials fell at a faster rate than revenue. Staff costs stood at €35.4 million (previous year: €32.9 million). At €25.4 million, other expenses were down by –€5.5 million on the prior-year figure, mainly due to lower selling expenses.

The Asia-Pacific region recorded EBIT of €2.4 million (previous year: €3.0 million). The decline in earnings is mainly attributable to lower gross profit and higher other expenses, in particular exchange rate expenses at an operating level. The sales company in Hong Kong recorded a year-on-year decline in earnings due to lower income from commissions as a result of the downturn in revenue. SIMONA INDIA closed the year almost on a par with the previous year.

2.4 FINANCIAL POSITION

Total Group assets as at 31 December 2023 amounted to €611.2 million, compared to €621.1 million in the previous year.

Changes to assets

The assets side of the balance sheet is mainly characterised by a reduction in intangible assets, inventories and customer receivables, while property, plant and equipment and cash and cash equivalents trended higher.

Intangible assets totalled €93.7 million (previous year: €96.2 million) and consisted primarily of goodwill from the corporate acquisitions in the United States, Norway, Türkiye and the United Kingdom. This item also includes the respective customer base and other intangible assets from previous years' acquisitions totalling €30.3 million (previous year: €33.4 million).

Property, plant and equipment amounted to €188.1 million (previous year: €176.8 million). Group capital expenditure on property, plant and equipment totalled €32.7 million (previous year: €34.3 million). Depreciation and write-downs of property, plant and equipment stood at €17.7 million (previous year: €17.2 million).

Right-of-use assets relating to leases amounted to €7.7 million (previous year: €8.6 million).

Despite higher deferred taxes relating to more extensive provisions for pensions, deferred tax assets were slightly lower overall than in the previous year due to netting with deferred tax liabilities.

Inventories totalled €132.8 million (previous year: €144.4 million). Inventories of raw materials, consumables and supplies fell to €55.3 million (previous year: €60.2 million), primarily as a result of prices. Finished goods and merchandise decreased from €81.5 million to €74.1 million due to volumes and prices.

Trade receivables fell by –€5.9 million to €83.0 million as a result of the direction taken by business.

Non-current and current other assets and tax assets totalled €23.1 million (previous year: €29.5 million). The year-on-year decline is mainly due to lower income tax refund claims (€8.9 million).

Other financial assets remained unchanged at €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 in the amount of €0.2 million (previous year: €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 a decline in equity compared to the previous year. While non-current liabilities were higher year on year, current liabilities trended downwards.

Group equity at the end of the financial year stood at €361.9 million (previous year: €376.4 million). This mainly includes profit for the period 2023 of €30.8 million and, conversely, the dividend payment of €11.1 million in the 2023 financial year and the negative result from foreign exchange translation recognised directly in equity (€10.6 million). In addition, as a result of the remeasurement of pension provisions, in particular due to the lower IFRS discount rate and the decrease in plan assets, Group equity fell by €20.6 million without affecting profit or loss.

The recognition of the call options for outstanding interests is recognised in equity in the amount of €14.0 million (previous year: €10.2 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. This includes a put/call option for the purchase of the remaining interests (€3.2 million, previous year €10.2 million). In addition, in 2021 a shareholder agreement was concluded with the existing shareholders as part of the purchase agreement for interests in SIMONA PLASTECH Levha Sanayi Anonim Şirketi; these shareholders continue to hold 30.00 per cent of the interests in the company. This includes a put/call option for the purchase of the remaining interests (€10.8 million).

No treasury shares existed at the end of the financial year. Please refer to Note [28].

The equity ratio for the Group fell from 61 per cent to 59 per cent at the end of the reporting period.

Non-current and current financial liabilities mainly include bank loans relating to the acquisition financing of PEAK in the amount of €34.8 million (of which €8.2 million current and €26.6 million non-current) with terms of five and seven years. Current financial liabilities also include money market loans totalling €22.1 million.

Current and non-current provisions for pensions were significantly higher year on year at €80.6 million (previous year: €49.5 million). This is attributable primarily to the lower IFRS discount rate of 3.22 per cent (previous year: 3.80 per cent) and the reduction in plan assets (please refer to Notes [27] and [28] in the Notes to the IFRS Consolidated Financial Statements).

Trade payables totalled €27.3 million (previous year: €32.6 million).

Current and non-current other financial liabilities amounted to €20.0 million (previous year: €13.9 million). This figure includes non-current liabilities from the options described above in the amount of €14.0 million relating to the corporate acquisitions in Norway and Türkiye.

Other liabilities amounted to €21.4 million (previous year: €23.8 million) and mainly include payables to the workforce, liabilities relating to social security and tax liabilities as well as credit notes from commissions granted.

In total, non-current (€4.0 million) and current (€2.8 million) other provisions were down on the figure recorded in the previous financial year.

Investments

Group capital expenditure on property, plant and equipment totalled €32.7 million (previous year: €34.3 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; the expansion of the production plant in China was completed in the financial year. In total, net investments in property, plant and equipment (additions less write-downs) amounted to €14.9 million within the Group (previous year: €17.1 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 PEAK as well as the KfW loans; these liabilities fell by €11.6 million to €26.6 million due to repayments made under the terms of the agreement. 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 €32.2 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 €50.6 million (previous year: €46.7 million).

Cash flows

In the period under review the inflow of cash from operating activities (gross cash flow) was €69.3 million (previous year: €40.3 million). The increase is mainly due to lower inventories, customer receivables and other assets, while – conversely – earnings declined. The cash outflow from investing activities totalled €31.1 million (previous year: €70.1 million), of which €34.4 million was attributable to investments in property, plant and equipment (previous year: €34.6 million). Net cash used in financing activities totalled €28.3 million (previous year: cash inflow of €41.2 million) and resulted mainly from the scheduled repayment of acquisition financing and KfW loans, the dividend-related outflow and, conversely, the utilisation of short-term credit lines.

Cash and cash equivalents

The Group's cash and cash equivalents totalling €74.2 million (previous year: €65.7 million) consist of short-term bank deposits. The cash inflow of €8.5 million (previous year: €11.7 million) is attributable primarily to the year-on-year increase in net cash from operating activities, the lower cash outflow from investing activities and the cash outflow from financing activities (previous year: cash inflow). These changes are presented in detail in the statement of cash flows.

Net finance cost

Based on finance income of €6.4 million and finance cost of €13.8 million, net finance cost amounted to –€7.5 million in the period under review (previous year: –€1.3 million). This includes the result from currency translation, which was –€3.4 million in the period under review (previous year: –€3.2 million). Finance income includes €3.7 million (previous year: €4.8 million) relating to hyperinflationary accounting in Türkiye. Finance cost includes €8.5 million in expenses from foreign currency translation, of which €6.9 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.

Based on German commercial law (Handelsgesetzbuch – HGB), SIMONA AG recorded a decline in revenue of –19.1 per cent, taking the figure to €322.3 million (previous year: €398.3 million), which was attributable primarily to a contraction in the overall volume of business as well as lower selling prices. Revenue reported in accordance with IFRS (excluding revenue from intercompany services) totalled €299.9 million. Thus, the revenue guidance for the 2023 financial year of between €300 and 310 million in accordance with IFRS, as presented in the previous year's combined management report, was almost achieved in the period under review.

Revenue by region (based on HGB)

Sales revenue in Germany declined by -20.0 per cent to €124.5 million (previous year: €155.6 million). The EMEA (Europe without Germany, Middle East and Africa) region saw sales revenue fall by –18.0 per cent to €168.8 million, down from €206.0 million in the previous year. Revenue from sales in the region encompassing the Americas fell to €8.0 million (previous year: €10.0 million). The Asia-Pacific region recorded a year-on-year decline in revenue of –21.3 per cent, taking the figure to €21.0 million.

Revenue by business line (based on HGB)

The Industry business line generated revenue of €127.9 million (previous year: €154.4 million), a reduction of –17.2 per cent. The Infrastructure business line posted revenue of €56.7 million (previous year: €68.5 million; –17.2 per cent). The Advertising & Building business line generated revenue of €21.0 million (previous year: €28.0 million; –25.0 per cent). The Mobility business line posted revenue of €6.1 million (previous year: €4.6 million; 33.5 per cent). The remaining revenues from various other fields of application and trade are summarised under "Others" and amounted to €40.1 million (previous year: €58.1 million). Sales revenue and services with subsidiaries amounted to €70.5 million (previous year: €84.7 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 €1.0 million (previous year: €3.9 million), while the EBIT margin stood at 0.3 per cent (previous year: 1.1 per cent). The target EBIT margin had been set at 1.0 to 3.0 per cent. EBITDA calculated on the basis of IFRS amounted to €3.5 million (previous year: €5.6 million). The EBITDA margin stood at 1.2 per cent, compared to 1.5 per cent for the same period a year ago (target of 1.5 to 3.5 per cent). At 0.8 per cent, ROCE (based on IFRS) remained below the prior-year figure of 3.0 per cent (target 2.0 to 3.0 per cent).

The decline in EBIT and EBITDA compared to the previous year is attributable to the reduction in gross profit, higher staff costs and a disproportionately small reduction in other operating expenses. Overall, the company's business performance fell short of expectations in the 2023 financial year.

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

in € million	2023	2022
EBIT under IFRS	**1.0**	**3.9**
Change in inventories	–0.1	0.1
Cost of materials	2.2	–4.2
Staff costs (pensions)	–1.9	1.2
Depreciation/amortisation/write-downs of intangible assets and property, plant and equipment	0.6	0.1
Other operating expenses	–0.2	–1.2
Other changes	0.1	4.1
EBIT under HGB	**1.7**	**3.8**

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

in € million	2023	2022
EBIT under HGB	1.7	3.8
Depreciation, amortisation and write-downs based on HGB	1.8	1.7
EBITDA based on HGB	**3.6**	**5.5**
EBIT under IFRS	1.0	3.9
Depreciation, amortisation and write-downs based on IFRS	2.4	1.6
EBITDA based on IFRS	**3.5**	**5.6**

The return on capital employed (ROCE) of SIMONA AG based on IFRS (0.8 per cent) is derived, on the basis of HGB (3.2 per cent), primarily from working capital and EBIT.

2.7 REVIEW OF FINANCIAL POSITION, PERFORMANCE AND CASH

Earnings performance

Gross profit totalled €74.8 million and was –6.8 per cent lower than in the previous year. The gross profit margin rose from 20.2 per cent in the previous year to 23.2 per cent in the period under review due to the disproportionately small reduction in gross profit compared to the decline in revenue. The cost of materials of €249.6 million declined by –22.5 per cent year on year, primarily as a result of lower raw material prices and volumes.

Other operating income totalled €2.0 million (previous year: €3.9 million). This figure includes gains of €1.0 million (previous year: €3.6 million) from currency translation.

Personnel expense amounted to €32.4 million, which was up 10.6 per cent on the prior-year figure. While personnel expenses fell by €0.7 million, social security contributions and pension expenses increased by a total of €3.9 million.

Depreciation, amortisation and write-downs attributable to intangible assets and property, plant and equipment totalled €1.8 million (previous year: €1.7 million).

Other operating expenses fell from €45.4 million a year ago to €38.9 million in the period under review, a decrease of –14.3 per cent. While selling expenses fell by €6.3 million, in particular as a result of the reduction in revenue, and currency translation expenses decreased by €0.9 million, administrative expenses rose by €0.9 million.

Income from investments rose from €7.4 million in the previous year to €22.8 million in the period under review. The year-on-year increase is due in particular to first-time dividend distributions from the US subsidiaries (€11.0 million) and the entity PEAK Pipe Systems Limited, UK, which was acquired in 2022 (€4.7 million).

Interest and similar expenses totalled €3.3 million (previous year: €2.2 million) and mainly comprised expenses from the unwinding of the discount of pension provisions (€0.6 million, previous year: €1.4 million) and interest expenses from bank loans of €2.4 million (previous year: €0.5 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 €1.7 million in the period under review (previous year: €3.8 million), as a result of which the EBIT margin stood at 0.5 per cent (previous year: 1.0 per cent). EBITDA amounted to €3.6 million after €5.5 million in the previous year, resulting in an EBITDA margin of 1.1 per cent, compared to 1.4 per cent in the previous year. Profit after taxes amounted to €24.6 million (previous year: €10.3 million).

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Financial position

Total assets attributable to SIMONA AG rose by €5.6 million to €357.8 million.

Non-current assets totalled €224.6 million (previous year: €224.9 million).

Property, plant and equipment amounted to €12.5 million (previous year: €12.1 million). The increase is attributable primarily to advance payments and assets under construction.

Interests in affiliated companies remained almost unchanged at €180.7 million.

Loans to affiliated companies, amounting to €28.7 million (previous year: €32.0 million), relate primarily to subsidiaries in Asia and Türkiye. The subsidiary in the United States repaid loans of €2.6 million in the reporting period.

Inventories were down on the prior-year figure (€27.6 million), falling to €26.5 million. They include raw materials, consumables and supplies (€0.8 million) as well as finished goods and merchandise (€25.7 million). Inventories of finished goods and merchandise fell by –€0.9 million compared to the previous financial year.

Trade receivables declined by €5.4 million to €24.6 million due to the downturn in business.

Receivables from affiliated companies totalled €52.9 million (previous year: €37.4 million) and mainly include receivables from the delivery of goods and short-term loans. The year-on-year increase is primarily due to funds provided for the domestic production companies and receivables relating to deliveries of goods to the subsidiary in China.

Other assets totalled €10.3 million (previous year: €11.3 million).

In total, receivables and other assets amounted to €92.0 million at the end of the year (previous year: €82.3 million).

Cash and cash equivalents fell from €16.8 million a year ago to €13.3 million at the end of the reporting period, a decrease of –€3.4 million. The decline is mainly due to the reduced inflow from operating activities and short-term borrowing as well as, conversely, an outflow from the repayment of KfW loans and the dividend payment.

Equity and liabilities

SIMONA AG‘s equity increased to €226.1 million (previous year: €212.5 million). The equity ratio rose to 63 per cent (previous year: 60 per cent).

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

Provisions amounted to €57.9 million (previous year: €55.6 million). In total, allocations to provisions for pensions were increased by €1.8 million compared to the previous year and stood at €46.4 million at the end of the reporting period. The discount rate rose slightly to 1.82 per cent (previous year: 1.79 per cent). Other provisions totalled €11.4 million (previous year: €10.9 million). Tax provisions totalled €0.1 million (previous year: €0.1 million).

Liabilities to banks amounted to €58.5 million (previous year: €65.0 million). At the end of the financial year, this item included long-term loans relating to acquisition financing for the subsidiary in the United Kingdom, of which €8.2 million was repaid as contractually agreed, and KfW loans, of which €3.4 million was repaid during the financial year as scheduled. In addition, the short-term utilisation of credit lines amounted to €20.0 million. At the end of the reporting period, SIMONA AG had undrawn borrowing facilities of €42.9 million (previous year: €43.0 million). Existing credit lines were replenished by €5.0 million in the financial year.

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 €4.3 million (previous year: €3.5 million).

Liabilities towards affiliated companies amounted to €7.9 million (previous year: €11.6 million) and relate mainly to goods deliveries from the German production companies as well as the subsidiary in the Czech Republic.

Total liabilities fell by €10.2 million to €73.9 million.

Investments

Capital expenditure relating to property, plant and equipment at SIMONA AG amounted to €1.9 million in the period under review (previous year: €2.1 million). These are mainly investments directed at the modernisation of operating and office equipment at the sites in Germany. In total, net investments in property, plant and equipment (additions less write-downs) amounted to €0.5 million (previous year: €0.7 million).

Obligations from investment projects already initiated amounted to €5.1 million; they are financed from operating cash flow.

In addition, development costs of €1.5 million were capitalised with regard to the introduction of SAP S4/Hana.

Analysis of liquidity

Cash and cash equivalents held by SIMONA AG at the end of the reporting period totalled €13.3 million (previous year: €16.8 million), comprising bank deposits denominated in euro and foreign currencies. The decline of –€3.4 million is mainly due to the reduced cash inflow from operating activities and short-term borrowings as well as – in the opposite direction – the outflow from the repayment of KfW loans and the dividend payment.

3. REPORT ON OPPORTUNITIES AND RISKS

Against the backdrop of geopolitical crises, such as the war in Ukraine, and the ailing global economy, the propensity to invest in the sectors served by SIMONA has declined. Short- and medium-term trends relating to opportunities and risks continue to be shaped by these developments. The economic outlook for Germany for 2024 has been revised downwards.

Volatile commodity prices and a lack of momentum when it comes to investment spending, prompted by global uncertainties regarding industrial demand, will continue to pose the greatest risks in 2024. 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.

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. The introduction of the EcoPlastIQ product line, which features biocircular, bio-based or recycled raw materials, has boosted opportunities in this area.

In EMEA, strategic projects aimed at raising the level of efficiency and competitiveness 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. Opportunities in this region have increased as a result of the plant expansion, which unlocks possibilities for the supply of pipes for industrial applications within this market.

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 significant risk profile with an expected damage, i.e. loss, in excess of €4.0 million. The expected value is computed as the product of the net damage in monetary terms and the probability of occurrence; it is used solely for prioritising and focusing risk reporting on categories of risk that are of material importance. The net damage in monetary terms relates primarily to the impact on earnings (Group EBIT). The probability of occurrence is categorised according to several levels: Any time (up to one year, 100%), high (one to three years, <100-30%), medium (three to ten years, <30-10%) and low (ten to fifteen years, <10%) as well as unlikely.

Identified risks are assessed in terms of their probability of occurrence and financial 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 individual risks within the following categories 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, the Czech Republic, Norway, Türkiye and 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.

The geopolitical risks have become more pronounced as a result of the armed conflicts in the Middle East and Ukraine and in view of persistent tensions between the United States and China. In the EMEA segment, the war in Ukraine is to be seen as the main driver of risk relating to the business environment and industry. In the Americas segment, risk is determined in particular by the 2024 presidential election and the focus on America First (Protection Act). In the Asia-Pacific segment, the principal risks are attributable to future political and economic relations between the United States and China as well as ongoing tensions surrounding Taiwan.

Macroeconomic and sales market risks have increased compared to the previous year due to the tense situation worldwide and have a high probability of occurrence. Declines in revenue of between €15.0 million and €25.0 million would lead to a corresponding financial strain on earnings of between €1.0 million and €2.0 million.

Business strategy risks

These encompass in particular the persistently high risk of misjudgements with regard to the future direction taken by the market. The volume-related revenue risk amounts to €15.0 to 25.0 million, while the earnings risk is €1.0 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 management. The probability of occurrence of business strategy risks is currently estimated to be low.

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.

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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. The currency risk is estimated to have a negative impact on earnings of between €4.0 and 6.0 million with a high probability of occurrence.

The risk of bad debts and insolvencies continues to be categorised as 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 €2.6 million, the financial risk corresponds to the value of receivables of SIMONA AG in the EMEA segment that are more than 60 days overdue. 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 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 high probability of occurrence.

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, as in the previous year, 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 Pensionssicherungsverein. The volatility of plan assets is estimated at around -€13.0 to 18.0 million, which is attributable primarily to the share performance of SIMONA AG stock in recent years. Plan assets were lower at the end of the year. SIMONA AG shares were down €13.4 million year on year at the end of the reporting period. Overall, the risks associated with occupational pension schemes are estimated to have a high probability of occurrence.

Risks attributable to procurement and purchasing

Risks attributable to procurement and purchasing mainly encompass 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 raw materials used by SIMONA tend to reflect the (upstream) price trajectory for primary products such as crude oil, naphtha, propylene and ethylene. However, different market situations, such as force majeure or geopolitical crises, e.g. due to the disruption of important trade routes, may result in opposing price trends. Raw material prices, especially relating to commodities, recovered significantly in the course of 2023 compared to the previous year. At the same time, the key supply chains returned to a stable footing in many sectors, which translated into an improved level of availability in the respective markets.

Prices within the energy market trended lower in the financial year under review. Lower energy consumption was driven primarily by the decline in economic output in Germany. Energy-intensive industries in particular recorded declines in production, which had a tangible impact on energy consumption (consumption down by 7.9 per cent) and the price of energy. An additional factor was the persistently high level of energy prices, which also had a significant impact on the reduction in energy consumption. Although electricity prices declined noticeably over the course of the year, they were still significantly higher than in the previous year. After a period of considerable anxiety and uncertainty within the energy markets, electricity prices have now returned to normal levels of supply and demand.

Many companies have adjusted their procurement volumes in line with the upturn in supply and the downturn in demand. The gradual improvement in delivery times seen since the end of 2022 almost came to an abrupt halt in January 2024, partly due to the incidents in the Red Sea and the resulting delays in freight transport from Asia. However, the latest events have not yet had an impact on procurement prices, which have again trended lower, albeit at a slower rate.

Overall, procurement and purchasing risks continue to be categorised as high, although the risks relating to energy prices have decreased compared to the previous year. The potential impact on earnings is estimated at €10.0 to 20.0 million.

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 company acquisitions in previous years. Potential investment risks are currently categorised as higher than in the previous year and are estimated to have a potential negative impact on earnings of around €15.0 million with a medium probability of occurrence.

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 by employing an Information Security Officer as well as by drawing on the services of the company's in-house IT department in conjunction with external partners; it also commissions specialised companies and regularly invests in the latest hardware and software. SIMONA also organises additional safety training at regular intervals to prepare employees for current and future risks within the IT environment. SIMONA responds to growing demands placed on system protection as part of its safety management programme. This mainly includes investing in up-to-date firewall and EDR (Endpoint Detection and Response) systems as well as other security systems in the form of hardware and software. 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 the heightened risk of external hacker attacks, the possible loss in revenue within this risk category due to a temporary system failure is estimated at around €14.0 million (previous year: €12.5 million), while, as in the previous year, the associated costs are estimated at between €2.0 and 3.0 million, resulting in a potential negative impact on earnings of between €3.0 and 4.0 million. The probability of occurrence, especially through external attacks on IT systems, has continued to increase significantly and is estimated as being high.

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 2023 reporting period, 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 economic risks and the medium and long-term effects of geopolitical crises are unpredictable. 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.

Internal control system (ICS) relating to financial reporting 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 confirmation dated 31 May 2023 for programme version 23.1, 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

[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 Deloitte.

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

In its "World Economic Outlook" in January, the IMF forecast global growth of 3.1 per cent for 2024 and 3.2 per cent for 2025. Thus, the forecast for 2024 is 0.2 percentage points higher than that presented in October 2023. This is due to the fact that the United States and a number of large emerging and developing countries are more resilient than expected. In addition, China's fiscal policy is to be seen as a supportive factor. Inflation is also falling faster than expected in most economies. However, the forecast for global growth in 2024-25 falls short of the historical average (2000-19) of 3.8 per cent. This is attributable primarily to the hike in key interest rates in an effort to combat inflation and the lack of momentum in productivity growth. As regards the United States, the IMF anticipates growth of 2.1 per cent for 2024 and 1.7 per cent for 2025. The eurozone economy is expected to expand by 0.9 per cent in 2024, while growth is projected to almost double to 1.7 per cent in 2025. For Germany, the IMF is forecasting marginal growth of 0.5 per cent in 2024 and 1.6 per cent in 2025. Based on the IMF's projections, China's gross domestic product is set to grow by 4.6 per cent in 2024 and 4.1 per cent in 2025.

Plastics processing industry

The majority of companies operating in Germany's plastics processing industry are cautiously optimistic about the prospects for 2024. While around 65 per cent had to contend with falling revenues in 2023, only 45 per cent expect revenues to decline and around 28 per cent to rise in 2024.

Market outlook for the Industry business line

Against the backdrop of challenging macroeconomic conditions, the VCI expects the global chemical industry to emerge from its slump. However, it still anticipates another difficult year ahead for the sector as a whole. Global chemical production is expected to increase by 2.3 per cent. The EU and the US are likely to see growth of just 1.0 per cent, while the market in China is expected to expand by 5.5 per cent.

Market outlook for the Infrastructure business line

Based on data published by the Euroconstruct research group, civil engineering in Europe is likely to grow by 1.8 per cent in 2024, compared to 2.9 per cent in 2024. The largest increases are expected for Italy, Norway, Slovakia and Poland. This growth will be fuelled by business in the areas of transport networks and energy generation and distribution, which are all in urgent need of action. The long-term prospects for the civil engineering sector remain favourable, particularly as projects often span a period of several years.

Market outlook for the Mobility business line

Growth in the travel sector may slow as a result of recent trends amplified by the COVID-19 pandemic. These include the more prominent use of video conferencing, the emergence of nationalism and measures to mitigate climate change, which are likely to act as a brake on growth in the long term. In this context, the Counterpoint report points to average annual growth in the market for aircraft interiors of 15 per cent in the years leading up to 2027 and a mere 9 per cent in the period up to 2032. The global market for seats fitted in railway carriages is expected to grow at an average annual rate of 5.4 per cent until 2027, according to data presented in the Global Seat Market Report. The principal drivers are the need to reduce CO_2 emissions and the associated trend towards lightweight construction.

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Market outlook for the Advertising & Building business line

Prospects for the construction industry within the nineteen Euroconstruct countries also remain bleak beyond 2023. Indeed, the outlook for growth within this sector has been increasingly dampened by the adverse effects of interest rate hikes and the war in Ukraine. For 2023, Euroconstruct analysts are now predicting a decline of 1.7 per cent, a trend that looks set to accelerate in 2024. The network is anticipating moderate growth of around 1.5 per cent in both 2025 and 2026.

Future performance of the Group

SIMONA anticipates that Group revenue for the 2024 financial year will be between €620 and 640 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 2024 is expected to be between 8 and 10 per cent.

The EMEA region is expected to see a moderate increase in revenue, coinciding with a slight reduction in the EBIT and EBITDA margin. In the region encompassing the Americas, SIMONA anticipates growth in sales revenue, while the EBIT and EBITDA margins are expected to remain at a high level. A significant increase in revenue and a slight increase in the EBIT and EBITDA margin are projected for the Asia-Pacific region.

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 economic conditions described above pose a 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.

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

Future performance of SIMONA AG

Calculated on the basis of IFRS, revenue for the 2024 financial year is expected to be between €300 and 310 million, while the EBIT margin is projected to be between 0.5 and –2.0 per cent and the EBITDA margin between 1.0 to –1.5 per cent. The return on capital employed (ROCE) is expected to be between 0.5 and –2.5 per cent.

Business in the sales region of Germany is likely to be challenging against the backdrop of a persistently weak 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 shares in the company were in free float.

The foundation Dr. Wolfgang und Anita Bürkle Stiftung (Kirn), Dirk Möller (Kirn) and Regine Tegtmeyer (Nebel) formed a pool of shares under German private law in 2023. Please refer to the Notes to the Financial Statements of SIMONA Aktiengesellschaft for the 2023 financial year under Other disclosures/Ownership interests.

No shareholdings were reported by the members of the Management Board at the Annual General Meeting on 2 June 2023. The members of the Supervisory Board reported holdings of 13,000 shares as at the attendance date of the Annual General Meeting on 2 June 2023, 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.

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

BRIEF DESCRIPTION OF BUSINESS MODEL

The SIMONA Group develops, manufactures and markets a range of semi-finished thermoplastics, pipes and fittings as well

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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 certified another group of materials with ISCC in 2023. Thus, PP pipes manufactured in Ringsheim are now also available with the ISCC seal. In addition, the certification process for our production facility in Düzce, Türkiye, is currently underway. The aim is to finalise certification in Türkiye during the first quarter of 2024 and subsequently produce PVC sheets featuring biocircular material.

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.

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.

In 2023, SIMONA launched a closed-loop system with plastics recycler PreZero, which SIMONA uses to reintroduce its customers’ production waste back into the production cycle. The system has already been successfully applied to the first set of customers. This measure is of strategic importance, particularly when it comes to reducing the Scope 3 carbon footprint of our customers and SIMONA.

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.

In an effort to achieve its climate targets, SIMONA signed a commitment letter of the Science Based Target initiative (SBTi) at the beginning of January 2024, thereby acquiring “Committed” status. The SIMONA Group has established its intent to take concrete measures aimed at validating its pathway to CO_2 reduction. The objective is to reduce Scope 1 and Scope 2 emissions by an average of 5.25 per cent per year by 2030 in line with the Paris Agreement, thus paving the way for the Group to achieve “net zero” status by 2050. SIMONA’s participation in the SBTi initiative underlines the company’s commitment to playing a prominent role when it comes to environmental protection and sustainable business practice. In joining the initiative, SIMONA undertakes to ensure that its long-term climate targets meet the strict scientific standards of the SBTi. The SBTi is a collaboration between the global not-for-profit environmental organisation Carbon Disclosure Project (CDP), the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). It was established in 2015 for the purpose of supporting companies in defining emission reduction targets in line with the latest climate science and the objectives of the Paris Agreement, the aim being to limit global warming to 1.5 degrees above pre-industrial levels.

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.

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. As an initial step, EU legislation defined its Taxonomy criteria for the environmental objectives “climate change mitigation” and “climate change adaptation” in 2021 and 2022. In June 2023, criteria for four further environmental objectives were added: “Sustainable use and protection of water and marine resources”, “Transition to a circular economy”, “Pollution prevention and control” and “Protection and restoration of biodiversity and ecosystems”. These new criteria will be applied for the first time as from the 2023 financial year.

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 within 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)

At present, the EU Taxonomy does not include any criteria relating to the economic activities of SIMONA AG. As a result, no revenue-relevant economic activities could be allocated to SIMONA AG on the basis of the current legal acts. 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 objectives set out in the Regulation. This applies in particular to our products used in the areas of energy and water supply as well as mobility applications. 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 still only be taken into account to a very limited extent.

Capital expenditure (CapEx)

The SIMONA Group's capital expenditure within the meaning of the EU Taxonomy comprises additions to property, plant and equipment, intangible assets (excluding goodwill) and right-of-use assets under lease arrangements in the reporting period in accordance with IFRS. 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 renovations at our headquarters in Kirn as well as the purchase of vehicles, investments in energy management and materials processing. 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.

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 (not Taxonomy-aligned activities) (A.2)			
Transport by motorbikes, passenger cars and light commercial vehicles	6.5.	1,709,892	4.9 %
Electricity generation using solar photovoltaic technology	4.1	100,497	0.3 %
Data processing, hosting and related activities	8.1	1,833,213	5.3 %
Material recovery from non-hazardous waste	5.9	360,397	1.0 %
Renovation of existing buildings	7.2.	3,860,796	11.2 %
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5.	98,826	0.3 %
Installation, maintenance and repair of energy efficiency equipment	7.3.	20311	0.1 %
Installation, maintenance and repair of charging stations for electric vehicles in buildings	7.4	148,087	0.4 %
Storage of electricity	4.10	71,549	0.2 %
CapEx Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**8,203,566**	**23.7 %**
B. CapEx Taxonomy-non-eligible activities		**26,393,930**	**76.3 %**
Total		34,597,496	100 %

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 energy management 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 CapEx euro	Share CapEx %
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.	291,670	1.2 %
Data processing, hosting and related activities	8.1.	582,391	2.5 %
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5.	503,536	2.1 %
OpEx Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**1,377,596**	**5.8 %**
A. OpEx Taxonomy-eligible activities (A1.+A2.)		**1,377,596**	**5.8 %**
B. Taxonomy-non-eligible activities		**22,214,768**	**94 %**
Total		23,592,364	100 %

ENERGY ISSUES

The implementation of a certified energy management system in accordance with the requirements of DIN EN ISO 50001:2018 forms an integral part of our corporate policy. The international standard for energy management systems aims to support certified companies in setting up effective systems and processes to improve energy efficiency and reduce greenhouse gas emissions. In taking a systematic approach to introducing, implementing, maintaining and improving the energy management system, we are in a position to achieve continuous improvements in the areas of energy efficiency and energy savings. The standard sets out requirements governing the supply, use and consumption of energy, including measurement, documentation and reporting as well as practical design and procurement rules for facilities, systems, processes and personnel that consume energy.

Our energy management system in accordance with DIN EN ISO 50001 covers all German sites. Strict compliance with this standard is ensured by regular monitoring audits and successful recertifications. The most recent recertification was successfully carried out in 2023 and is valid until 30 November 2026.

The main risks associated with our business activities that may have a potentially significant adverse effect on energy matters include resource consumption and emissions. In an effort to counter these risks, we continuously monitor our energy resources and implement targeted measures to increase energy efficiency and scale back energy consumption. Our key energy management objectives include raising energy efficiency levels on an ongoing basis and reducing greenhouse gas emissions in particular.

In 2021, we joined the “Initiative Klimafreundlicher Mittelstand” (“Climate-Friendly SME Initiative”) of VEA (Bundesverband der Energie-Abnehmer e.V.). Working in collaboration with other members, we are actively committed to using energy more efficiently, increasing the use of climate-friendly energy and supporting climate projects. Through joint exchange, advisory and information services, the initiative raises awareness of the issue of climate protection, while also pursuing the goal, among other things, of reducing CO_2 emissions in companies.

SIMONA has pressed ahead with projects to install rooftop photovoltaic systems at its sites around the world, some of which have already been implemented. A PV system on car park roofs has been put into operation at the plant in Jiangmen, China, and a decision has been made to install PV systems at the subsidiary SIMONA AMERICA Industries in the United States, with implementation scheduled for 2024.

SIMONA concluded a so-called “Power Purchase Agreement” for its German sites in 2023, as part of which up to 35 Gw/h of renewable energy can be covered by a wind farm.

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.

Gender equality – Diversity

SIMONA supports diversity and equal opportunities for all employees and has set itself the goal of employing more women in management positions. The targets for the Group’s parent company are at least 3 women at the first managerial level and at least 2 women at the second managerial level, each below the Management Board. In order to improve the existing quotas, at least one woman is always interviewed as a potential candidate for open management positions. Across the Group, the number of women overall and in management positions is analysed on a quarterly basis, the aim being to achieve an annual improvement in this area. SIMONA also joined the Diversity Charter initiative in 2023 in order to further highlight the issue of diversity and to benefit from external impetus and ideas in support of measures relating to this topic.

Working conditions

SIMONA regularly seeks its employees’ opinions in anonymous staff surveys and uses the results to devise tangible measures to improve staff satisfaction. Recently, a global employee satisfaction survey was conducted in autumn 2022, on the basis of which improvement measures were drawn up in 2023 as part of a process to be rolled out globally; the implementation of these measures is being tracked. The next global survey is scheduled for 2024.

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.

Education and developing talent

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 organises project management and presentation training courses at all of its international and domestic sites in order to ensure a uniform standard of knowledge within the workforce.

As part of an annually recurring process, potential successors are identified for all 1st and 2nd level managers below the Global Management Team; their areas of development are defined with the aim of reducing the number of positions that have no successor within the company and fostering talent in a targeted manner so that these staff members can take on more senior roles.

The Leadership Circle organised by SIMONA has been in place for many years. Now in its fifth round, it prepares high-potential employees for specialist and management tasks as part of a modular training programme spanning 18 months. The course provides participants from SIMONA sites in Europe, the United States and Asia with training in the areas of communication and conflict dialogue, intercultural expertise, management and sustainability. Training takes place at various global locations 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 professionals are given the opportunity to establish an international network.

Information flow

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.

Health and safety

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). For this reason, the company has set itself an ambitious five-year target to reduce the number of reportable accidents compared to 2021: by 15% respectively in 2022, 2023 and 2024, and by 10% respectively in 2025 and 2026. The Group has been pressing ahead – and continues to do so – with the integration of occupational safety issues into its activities at an operational and strategic level (e.g. via shift handovers, weekly meetings, shop floor management, plant meetings). 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). In recent years, the focus has been on preventing musculoskeletal disorders and dealing with stress.

PART OF THE FUTURE

Respect for trade union rights and co-determination in the workplace

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 and trainee representatives at the German sites: at the Kirn site the workforce is also represented by the IGBCE.

Risks relating to employee matters

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.

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. Tree planting campaigns were carried out with various organisations 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.

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.

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.

REPORT ON OTHER NON-FINANCIAL PERFORMANCE 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 the EMEA region was conducted in 2023. Overall customer satisfaction relating to business relationships with SIMONA remains high, rising further to 89.4 per cent (2020: 87.9 per cent). The rate of recommendation also increased to 91.0 per cent (2020: 89.3 per cent). In addition to assessing satisfaction with product and service categories, the 2023 customer survey focused on the topics of sustainability and application orientation, which represent important strategic goals for SIMONA. The results show that the defined sustainability strategy meets customer requirements and that SIMONA has advanced towards its goal of becoming the company with the highest end-customer orientation for sustainable thermoplastic solutions in all its areas of application. In response to the question "In the last two years, I have noticed a stronger focus at SIMONA on the requirements of end-customer applications", over 81 per cent of respondents said that this applies fully or to a larger extent. Almost 67 per cent of the customers surveyed stated that their purchasing decisions are strongly or to a larger extent influenced by sustainability criteria. The next customer satisfaction survey is scheduled for 2026.

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

SIMONA was not quite able 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. In 2023, a total of 54 young talents were undergoing training at SIMONA's sites in Germany (previous year: 57). 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 2023, career afternoons were held for the first time at the German sites, allowing young applicants and interested parties to find out more about SIMONA's training programmes, including plant tours and various practical exercises. The response to these events was very good.

The number of SIMONA-sponsored integrated/dual work-study programmes or sponsored training to become a state-certified technician or master craftsman or attain a Bachelor's degree was up again on the previous year (from 16 to 20), once again illustrating SIMONA's focus on on-the-job training. Leadership workshops with external trainers were again held for supervisors in the production units at both of the sites in Germany. They are designed to help senior staff react adequately as a management team even when confronted with difficult situations.

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 must improve. In 2023, the results of the survey were discussed extensively with all department heads, which was also aimed at raising awareness among line managers about potential improvement measures. The line managers then worked with their staff members to develop department-specific improvement measures and submitted these suggestions to HR Development. The focus in 2023 was therefore on implementing the first improvement measures.

The measures are to be implemented further in 2024 and the next satisfaction survey is scheduled for autumn to ensure that progress relating to the improvement measures can be monitored accordingly.

Two suggestions for improvement from the findings of the survey centred on the issues of appreciation and stress management in day-to-day life. SIMONA made dealing with stress the focus of its occupational health management programme for 2023, offering various seminars and digital services. An entire training session was dedicated to the issue of appreciation at the global management meeting.

In 2023, so-called Company Bikes were introduced at the German sites, which met with great interest among employees. A digital employee portal was also introduced in the period under review with a view to speeding up administrative processes and providing staff and managers with greater transparency on issues such as time accounts, holidays, basic master data and payroll accounting.

Courses for the fourth year of the Leadership Circle (formerly the Talent Promotion Circle) began in January 2023. The SIMONA Leadership Circle prepares high potentials for professional and managerial roles as part of a modular, 18-month training programme. The course provides participants from SIMONA sites in Europe, the United States and Asia with training in the areas of communication and conflict dialogue, intercultural expertise, management and sustainability. Training takes place at various global locations 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 professionals are given the opportunity to establish an international network. Given the positive response to the programme and the very good progress made at a professional level by participants in previous years, the fifth intake will start in January 2024.

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 monitoring 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 remains fully committed to its organisational realignment, the objective being to evolve into a global IT service organisation. The fundamental structure of this new organisation continues to be based on standardised IT processes, the aim of which is to ensure that IT can provide demonstrable added value to meet business requirements.

As part of our IT strategy, the focus remains on preparing for the migration to SAP S/4HANA. As a preparatory measure implemented during the 2023 financial year, the SAP system was migrated to a HANA DB platform in our Microsoft Azure cloud environment and ongoing operation was ensured by an external partner as a managed service. Further efforts will focus on ensuring a smooth transition to the SAP S4/HANA environment and maximising the benefits of the new platform. At the same time, the IT department continues to focus heavily on the continuous improvement of IT security. In particular, considerable efforts were made in the area of IT security in 2023 to counter new threats. In further expanding the existing security awareness platform, SIMONA prepared employees for current and fundamental dangers within the IT environment and significantly raised awareness levels with regard to security issues. The company will continue to press ahead with these initiatives in 2024.

2022 saw the global introduction of Microsoft Office 365 cloud technology with the aim of modernising and further standardising the Group's IT infrastructure; these measures were completed worldwide during the 2023 financial year. One of the key developments was the replacement and renewal of the network infrastructure during the 2023 financial year. This measure represented an important step towards further improving the performance and reliability of the network. While extensive parts of the network infrastructure have been replaced and modernised, this process has not yet been completed. Ongoing efforts are focused on successfully completing the conversion of the network infrastructure and ensuring that all systems are integrated as efficiently as possible. The upgraded network infrastructure provides a solid foundation for future technological developments and meets the requirements of our ever-changing business environment.

Efforts to implement a modern and standardised IT infrastructure will continue over the course of 2024, and the company is taking active steps to drive these measures forward. These ongoing measures are aimed at continuously improving the efficiency, performance and security of our IT infrastructure.

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.

Kirn, 11 April 2024
SIMONA Aktiengesellschaft
The Management Board

Matthias Schönberg Dr. Jochen Hauck Michael Schmitz

PART OF THE FUTURE

BALANCE SHEET OF SIMONA AG FOR THE FINANCIAL YEAR 2023

ASSETS (in € '000)			31/12/2023	31/12/2022
A.	**NON-CURRENT ASSETS**			
I.	**Intangible assets**	1. Internally generated industrial property rights and similar rights and assets	1,636	1,167
		2. Purchased industrial property rights and similar rights and assets as well as licences in such rights and assets	1,025	0
			2,662	**1,167**
II.	**Property, plant and equipment**	1. Land, land rights and buildings	3,944	3,834
		2. Technical equipment and machinery	308	359
		3. Other equipment, operating and office equipment	6,191	6,852
		4. Prepayments and assets under construction	2,042	1,068
			12,486	**12,114**
III.	**Financial assets**	1. Investments in affiliated companies	180,724	179,578
		2. Loans to affiliated companies	28,723	32,046
		3. Other long-term equity investments	23	23
			209,470	**211,647**
			224,618	**224,928**
B.	**CURRENT ASSETS**			
I.	**Inventories**	1. Raw materials, consumables and supplies	802	971
		2. Finished goods and merchandise	25,716	26,628
		3. Prepayment for inventories	29	29
			26,548	**27,628**
II.	**Receivables and other assets**	1. Trade receivables	24,611	30,056
		2. Receivables from affiliated companies	52,940	37,411
		3. Receivables from other long-term investees and investors	4,090	3,497
		4. Other current assets	10,321	11,321
			91,962	**82,286**
III.	**Cash in hand and bank balances**		**13,326**	**16,752**
			131,836	**126,666**
C.	**PREPAID EXPENSES**		**1,382**	**647**
			357,836	**352,241**

EQUITY AND LIABILITIES (in € '000)			**31/12/2023**	**31/12/2022**
A.	**EQUITY**			
I.	**Subscribed capital**		15,500	15,500
II.	**Capital reserves**		15,032	15,032
III.	**Revenue reserves**	1. Legal reserves	397	397
		2. Statutory reserves	2,847	2,847
		3. Other revenue reserves	179,148	167,148
IV.	**Unappropriated surplus**		13,127	11,623
			226,051	**212,547**
B.	**PROVISIONS**			
1.	Provisions for pensions		46,392	44,623
2.	Provisions for taxes		94	96
3.	Other provisions		11,390	10,866
			57,876	**55,584**
C.	**LIABILITIES**			
1.	Liabilities to banks		58,453	64,960
2	Prepayments received on account of orders		396	0
3.	Trade payables		4,252	3,484
4.	Liabilities to affiliated companies		7,859	11,617
5.	Other liabilities	(of which taxes €269 thousand; previous year €264 thousand) (of which relating to social security and similar obligations €1,010 thousand; previous year €944 thousand)	2,949	4,049
			73,909	**84,110**
			357,836	**352,241**

PART OF THE FUTURE

INCOME STATEMENT OF SIMONA AG FOR THE FINANCIAL YEAR 2023

(in € '000)			01/01/–31/12/2023	01/01/–31/12/2022
1.	Revenue		322,271	398,254
2.	increase in finished goods inventories		2	0
			322,273	**398,254**
3.	Own work capitalised		274	0
4.	Other operating income	(of which income from currency translation €1,005 thousand; previous year €3,579 thousand)	1,961	3,904
5.	Cost of materials	a) Cost of raw materials, consumables and supplies and of purchased merchandise	–249,371	–321,412
		b) Cost of purchased services	–223	–473
			–249,594	**–321,885**
6.	Staff costs	a) Wages and salaries	–24,157	–24,914
		b) Social security, post-employment and other employee benefit costs (of which in respect of old-age pensions –€4,209 thousand; previous year –€610 thousand)	–8,290	–4,429
			–32,447	**–29,343**
7.	Depreciation, amortisation and write-downs of property, plant and equipment as well as intangible assets		–1,819	–1,725
8.	Other operating expenses	(of which expenses from currency translation –€1,019 thousand; previous year –€1,894 thousand)	–38,914	–45,404
9.	Income from equity investments	(dof which from affiliated companies €22,010 thousand; previous year €7,000 thousand)	22,810	7,350
10.	Income from financial asset loans	(of which from affiliated companies €1,283 thousand; previous year €783 thousand)	1,283	783
11.	Other interest and similar income	(of which from affiliated companies €723 thousand; previous year €348 thousand)	1,432	483
12.	Write-downs of financial assets		–1,765	–25
13.	Result from profit/loss transfer		3,886	2,341
14.	Interest and similar expenses	(of which to affiliated companies –€167 thousand; previous year –€88 thousand) (of which from compounding –€621 thousand; previous year –€1,352 thousand)	–3,253	–2,154
	Profit before taxes		**26,129**	**12,580**
15.	Taxes on income		–1,511	–2,278
16.	**Profit after taxes**		**24,618**	**10,302**
17.	Other taxes		–14	–36
18.	**Profit for the year**		**24,604**	**10,266**
19.	Unappropriated retained earnings brought forward		523	5,857
20.	Allocation to other revenue reserves		–12,000	–4,500
21.	**Unappropriated surplus**		**13,127**	**11,623**

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2023

General information

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

At the end of the reporting period on 31 December 2023, SIMONA AG was categorised as a large corporation within the meaning of Section 267 of the German Commercial Code (Handelsgesetzbuch – HGB). The financial year shall correspond to the calendar year.

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

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

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

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

Accounting policies

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

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

Internally generated intangible fixed assets are recognised at acquisition or production cost.

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

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

In accordance with the strict lower-of-cost-or-market principle, **inventories** are stated at the lower of purchase or conversion cost and fair value. The company does not recognise any interest on borrowed capital.

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

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

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

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

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

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

Subscribed capital is carried at its nominal value.

The **provisions for pensions** are determined in accordance with actuarial principles by applying the projected unit credit method on the basis of "Richttafeln 2018 G" (actuarial mortality assumptions) published by Prof. Dr. Klaus Heubeck. Owing to the significant rise in inflation, pension adjustments applicable in the coming years are likely to lead to increases. The associated expense has already been taken into account in the 2023 financial year. With regard to the discount rate, as in the previous year the average market rate for the past ten years (with a remaining term of fifteen years), amounting to 1.82 per cent (previous year: 1.79 per cent), was applied to the item referred to as interest and similar expenses. Expected increases in salaries were again accounted for with an interest rate of 2.50 per cent, while the trend in respect of the contribution assessment ceiling for social insurance was again accounted for with an interest rate of 2.00 per cent and expected pension increases with 2.00 per cent, as in the previous financial year. Due to its minor significance, no staff turnover, i.e. fluctuation, rate was applied. The difference between the pension provisions recognised by the company and provisions calculated on the basis of an average interest rate for the last seven and ten annual periods is –€554 thousand (previous year: –€2,587 thousand).

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

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

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

Other provisions include, among other items, provisions for anniversary benefits. The valuation of the anniversary provisions was carried out in accordance with the provisions of commercial law using the projected unit credit method. The "2018 G mortality tables" of Prof. Dr. Klaus Heubeck serve as the basis for calculation, with a flat interest rate of 1.74 per cent p.a. (previous year: 1.43 per cent p.a.) calculated in accordance with Section 253(2) sentence 2 HGB and the assumption of expected salary increases as in the previous year of 2.50 per cent p.a.

Other provisions also include obligations from the partial retirement programme launched at the end of 2021. Partial retirement is organised on the basis of the so-called block model (based on the corresponding individual contracts or the company agreement concerning compensation entitlements). In the first phase of partial retirement ("employment phase" or "active phase"), the employee performs his/her full work, while during this time he/she is only paid according to the part-time agreement. As a result, SIMONA accumulates a so-called "outstanding settlement amount" over the course of the employment phase, equivalent to the portion of work performed that has not yet been remunerated, for which a provision is to be recognised. In the second phase of partial retirement ("release phase" or "passive phase"), the employee is paid according to the part-time regulation without performing any work. In this context, the remuneration in question is paid by utilising the provision for the accumulated outstanding settlement amount. When calculating the provision for partial retirement, the top-up, i.e. bonus, payments, to be paid during partial retirement are accounted for at their full present value from the conclusion of the contract, as they are by nature comparable to severance payments. The provision was determined on the basis of a salary trend of 2.50 per cent for 2024, as in the previous year. As regards the discount rate relating to interest and similar expenses, the average market interest rate for the past seven financial years with a matching maturity (Section 253(2) sentence 1 HGB) continues to be applied.

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

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

Currency translation

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

NOTES TO BALANCE SHEET

Non-current assets

Changes to individual items classified as non-current assets have been presented in the statement of changes in fixed assets (appendix to notes) together with details of depreciation, amortisation and write-downs for the full financial year. Intangible assets include internally generated industrial property rights and similar rights (S4/Hana development costs) amounting to €1,636 thousand, of which €274 thousand is attributable to own work capitalised. The total amount of research and development costs was €5,733 thousand (previous year: €4,320 thousand).

Details of shareholdings

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

As regards the foreign entities, information pertaining to equity and earnings has been taken from the data used in connection with the consolidated IFRS financial statements as at 31 December 2023 (so-called Handelsbilanz II, i.e. single-entity financial statements adjusted/restated for uniform group accounting policies). Entities' foreign-currency equity is translated at the closing rate, while entities' foreign-currency earnings are translated at the average rate of the financial year.

Due to the liquidation of SIMONA FAR EAST LIMITED, Hong Kong, China, and the liquidation of OOO SIMONA RUS, Moscow, Russian Federation, which were completed in the financial year under review, these entities were deconsolidated.

Loans to affiliated companies

This item includes loans to SIMONA ASIA Ltd., Hong Kong, China (€17,037 thousand), SIMONA INDIA PRIVATE LIMITED, Mumbai, India (€600 thousand), SIMONA Stadpipe AS, Stadlandet, Norway (€367 thousand), SIMONA Stadpipe Eiendom AS, Stadlandet, Norway (€1,219 thousand) and SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Düzce, Türkiye (€9,500 thousand).

Inventories

Inventories of raw materials, finished goods and merchandise are measured on the basis of the LIFO method. LIFO valuation of finished goods and merchandise is carried out without taking into account write-downs due to long holding periods and diminished usability. Inventories are presented according to appropriate groups, which are then valued at the lower of cost and net realisable value. The difference arising from the application of this method compared with the average cost method, leading to a reduction in inventories, was €19,418 thousand (previous year: €21,946 thousand) with regard to finished goods and merchandise.

Receivables and other assets

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

Receivables from affiliated companies relate to trade receivables (€47,312 thousand, previous year €32,825 thousand), receivables in respect of the shares in profit of entities established in the corporate form of partnerships (€3,250 thousand, previous year €4,256 thousand) and receivables from dividends (€2,379 thousand, previous year € 331 thousand). The receivables from other long-term investees and investors, amounting to €4,090 thousand (previous year: €3,497 thousand), are attributable to payments made within the context of post-employment benefits.

The other assets mainly include sales tax receivables of €2,200 thousand and claims for income tax refunds for the financial years 2022 and 2023 amounting to €7,478 thousand.

Equity

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

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

The unappropriated surplus ("Bilanzgewinn", i.e. the distributable profit) includes €523 thousand in unappropriated retained earnings brought forward. In the financial year under review, a total of €12,000 thousand was allocated to other revenue reserves as prescribed by the Articles of Association. In addition, please refer to the proposed appropriation of profits.

Provisions for pensions and similar obligations

The disclosure of the pension provision in the balance sheet in the amount of €46,392 thousand (previous year: €44,623) is made after offsetting the existing plan assets in the amount of €902 thousand (previous year: €668 thousand). The acquisition costs of the plan assets correspond to the fair value, as a result of which there is limitation of distribution.

SIMONA Sozialwerk GmbH operates as a pension fund, governed by German law, for the purpose of funding the indirect pension obligations for SIMONA AG. As in the past, the assets of SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH may be utilised solely for benefit-related purposes relating to SIMONA Sozialwerk GmbH. At the end of the reporting period, the fair value of these assets amounted to €39,952 thousand (previous year: €52,808 thousand), with a pro-rata share of €25,294 thousand (previous year: €33,692 thousand) attributable to SIMONA AG.

At the end of the year, the company recorded a deficit of €34,975 thousand (ten-year interest rate) and €36,028 thousand (seven-year interest rate); this deficit does not necessitate mandatory recognition as a liability.

Other provisions

Other provisions include the variable purchase price obligation in connection with the acquisition of SIMONA PEAK Pipe Systems Limited with a remaining term of less than one year totalling €3,032 thousand (previous year: €2,956 thousand). Beyond this, the other provisions were mainly recognised in respect of personnel-related provisions in the amount of €5,937 thousand (previous year: €6,200 thousand) and outstanding invoices amounting to €1,786 thousand (previous year: €1,443 thousand). Employee-related provisions include provisions for retirement totalling €422 thousand net (previous year: €537 thousand). The plan assets for partial retirement amount to €318 thousand (previous year: €202 thousand).

Liabilities

Bank borrowings include bank loans with a remaining term of up to one year totalling €29,757 thousand (previous year: €28,602 thousand) and with a remaining term of more than one year and up to five years totalling €25,115 thousand (previous year: €32,769 thousand). Bank borrowings with a remaining term of more than five years amounted to €1,487 thousand (previous year: 3,589 thousand). Overdraft facilities due within one year amount to €2,095 thousand (previous year: €0 thousand).

Liabilities to affiliated companies relate to trade payables due within one year (€7,859 thousand; previous year: €8,229 thousand).

Trade payables (€4,252, thousand, previous year: €3,484 thousand) and other liabilities (€2,949 thousand, previous year: €4,049 thousand) are due within one year, as in the previous year.

As in the previous year, all liabilities are unsecured.

Deferred taxes

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

Derivative financial instruments

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

The interest rate swap covers a nominal principal amount of €11,250 thousand. At the end of the reporting period, the variable part of the loan had a volume of €8,438 thousand (previous year: €10,688 thousand).

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

On this basis, the fair value at the end of the reporting period was €175 thousand (previous year: €408 thousand). As no valuation unit has been formed, the positive value contribution is not accounted for as at the end of the reporting period. This is due to the fact that this represents a pending transaction that does not have to be capitalised. Therefore, the carrying amount is €0.

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

Contingencies

As regards the subsidiaries SIMONA PEAK Pipe Systems Limited, Chesterfield, United Kingdom, SIMONA Stadpipe AS, Stadlandet, Norway, SIMONA ASIA PACIFIC PTE. LTD., Singapore, and SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China, SIMONA AG has issued a letter of comfort in each case. In accordance with these Letters of Comfort, the company is obliged to furnish the respective subsidiaries with sufficient financial resources so that they are in a position to meet their obligations.

As collateral for third-party liabilities, SIMONA AG issued a Letter of Comfort and a First Demand Guarantee for the purpose of securing commodity deliveries. The liabilities of SIMONA Produktion Kirn GmbH & Co. KG, Kirn, and SIMONA Produktion Ringsheim GmbH & Co. KG, Ringsheim, towards suppliers amounted to €1,291 thousand in total as at 31 December 2023.

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

SIMONA Sozialwerk GmbH, Kirn, operates as a pension fund, governed by German law, for the purpose of funding the indirect pension obligations for SIMONA AG. This results in contingent liabilities as at the balance sheet date. The reporting company remains directly obligated to the extent that the assets of the pension fund are insufficient to meet the obligations. There continues to be subsidiary liability for the indirect pension obligations of the subsidiaries SIMONA Produktion Kirn GmbH & Co. KG, Kirn, and SIMONA Produktion Ringsheim GmbH & Co. KG, Ringsheim. At the end of the reporting period, the deficit for indirect pension obligations amounted to €55,243 thousand (10-year interest rate). Given the current financial resources of SIMONA Sozialwerk GmbH, the risk of a claim arising from these indirect pension obligations is considered to be low.

NOTES TO INCOME STATEMENT

Revenue

Revenue by region:

	2023 € '000	%	2022 € '000	%
Germany	124,497	38.6	155,576	39.1
(Europe excluding Germany, Middle East, Africa)	168,845	52.4	206,007	51.7
Americas	7,953	2.5	10,007	2.5
Asia-Pacific	20,977	6.5	26,664	6.7
	322,271	**100.0**	**398,254**	**100.0**

Revenue by business line:

	2023 € '000	%	2022 € '000	%
Industry	127,862	39.7	154,424	38.8
Infrastructure	56,695	17.6	68,486	17.2
Mobility	6,141	1.9	4,600	1.2
Advertising & Building	20,982	6.5	27,987	7.0
Intercompany	70,498	21.9	84,653	21.3
Others	40,093	12.4	58,103	14.6
	322,271	**100.0**	**398,254**	**100.0**

Other operating income

Other operating income mainly includes income from exchange differences (€1,005 thousand previous year: €3,579 thousand) and income unrelated to the accounting period from the reversal of provisions (€421 thousand, previous year: €147 thousand) and asset disposals (€15 thousand, previous year: €47 thousand).

Other operating expenses

Other operating expenses result primarily from expenses for outgoing freight (€10,833 thousand; previous year: €14,225 thousand), expenses for packaging materials (€4,783 thousand; previous year: €6,256 thousand), commission expenses (€4,274 thousand, previous year: €5,513 thousand), legal and consulting fees (€3,371 thousand; previous year: €3,340 thousand), rental expenses (€3,297 thousand; previous year: €3,306 thousand), maintenance expenses (€2,702 thousand; previous year: €2,429 thousand), expenses from exchange rate differences (€1,019 thousand; previous year: €1,894 thousand), travel and entertainment expenses (€902 thousand; previous year: €582 thousand), advertising expenses (€876 thousand; previous year: €1,514 thousand) and occupancy costs (€763 thousand; previous year: €698 thousand). Expenses not attributable to the accounting period relate to the derecognition of receivables (€377 thousand; previous year: €522 thousand).

Income from profit transfer

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

Interest and similar expenses

Interest and similar expenses include interest expenses from the plan assets of pension obligations in the amount of €4 thousand (previous year: €25 thousand) and interest expenses from pension provisions in the amount of €621 thousand (previous year: €1,347 thousand) in accordance with Section 246(2) sentence 2 HGB. As in the previous year, the interest income from provisions for partial retirement included in this item amounts to €2 thousand.

Taxes on income

Income taxes are attributable primarily to the result before taxes in the financial year under review. This item includes tax expenses of €40 thousand (previous year: €370 thousand) that relate to previous financial years.

OTHER DISCLOSURES

Off-balance-sheet transactions

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

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

Other financial commitments

The total amount of other financial commitments is €13,980 thousand (previous year: €11,601 thousand). As in the previous year, no obligations are attributable to affiliated companies.

The estimated outflow of funds from the put/call option agreed with SIMONA Stadpipe AS, Stadlandet, Norway, as part of the corporate transaction to acquire the interests remaining with the minority shareholder totalled €3,157 thousand at the end of the reporting period (previous year: €7,433 thousand). This is categorised as other financial commitments towards the minority shareholder of the entity. The option can be exercised until 2025.

The estimated cash outflow of funds from the put/call option agreed with SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Düzce, Türkiye, as part of the corporate transaction to acquire the interests remaining with the minority shareholders totalled €10,823 thousand at the end of the reporting period (previous year: €4,168 thousand). This is categorised as other financial commitments to the minority shareholders of the entity. The option can be exercised until 2028.

Share pool

Based on the voting rights notifications published on 26 May 2023 in accordance with Section 40(1) WpHG, the shareholders Dr. Wolfgang und Anita Bürkle Stiftung, Dirk Möller and Regine Tegtmeyer have formed a pool of shares with a total voting interest, i.e. voting power, of 54.14 per cent in SIMONA Aktiengesellschaft. SIMONA Aktiengesellschaft has no business relations with the share pool or the individual parties to the share pool.

GOVERNING BODIES AND COMPENSATION

Management Board

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

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

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

PART OF THE FUTURE

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 ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China
- SIMONA America Group Inc., Archbald, USA
- SIMONA Boltaron Inc., Newcomerstown, USA

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

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

Supervisory Board

Dr. Ing., Dipl.-Wirt. Ing. Klaus F. Erkes, Überlingen
(Chairman)
Other supervisory board mandates:
- Member of the Supervisory Board of Semperit AG, Vienna
- Member of the Supervisory Board of Präzi-Flachstahl AG, Everswinkel
- Member of the Advisory Board of Karl Mayer GmbH & Co. KG, Obertshausen
- Member of the Advisory Board of Karl Mayer Holding GmbH & Co. KG, Obertshausen
- Chairman of the Advisory Board of Alois Berger Holding GmbH & Co. KG, Memmingen
- Chairman of the Advisory Board of Alois Berger Holding International, Memmingen

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

Roland Frobel, Isernhagen, Tax Consultant
Partner and Managing Director of Frobel Beteiligungs-GmbH, Isernhagen
Managing Director of Reitstall Steinberg GmbH, Neuenkirchen
Managing Director of FRISS Beteiligungsgesellschaft mbH, Isernhagen
Other supervisory board mandates:
- Vorsitzender des Aufsichtsrates der Hannover 96 GmbH & Co. KGaA, Hannover
- Mitglied des Aufsichtsrates der GBK Beteiligungen AG, Hannover

Martin Bücher, Biberach, Qualified Bank Clerk
Chairman of the Executive Board of Kreissparkasse Biberach, Biberach
Other supervisory board mandates:
- Deputy Chairman of the Supervisory Board of Öchsle Bahn AG (since 1 December 2023)
- Deputy Supervisory Board Member of BW Bank

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

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

Total Management Board compensation

As regards the duties performed in 2023, the compensation of the Management Board amounted to €2,440 thousand (previous year: €2,420 thousand), of which the variable compensation components totalled €1,465 thousand (previous year: €1,445 thousand).

Beyond that, no other compensation or loans were granted.

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

Total Supervisory Board compensation

Supervisory Board compensation comprises remuneration in respect of Supervisory Board duties (€240.0 thousand, previous year: €252.5 thousand) and remuneration for committee work performed by Supervisory Board members (€60.0 thousand, previous year: €61.7 thousand). Total Supervisory Board compensation totalled €300.0 thousand in the financial year under review (previous year: €314.2 thousand).

Compensation and pension provisions for former members of the Management Board

Compensation relating to former members of the Management Board amounted to €494 thousand (previous year: €493 thousand).

Full allocations have been made to pension provisions for former members of the Management Board. At 31 December 2023, these amounted to €15,703 thousand (previous year: €14,761 thousand).

Employees

Average number of employees in the financial year:

	2023	2022
Industrial staff	94	91
Clerical staff	252	246
Employees	346	337
School-leavers (apprentices)	51	53
	397	**390**

Appropriation of profits

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

	€ ’000
Profit for the year	24,604
Unappropriated retained earnings brought forward	523
Appropriation to other revenue reserves in accordance with the Articles of Association	–12,000
Unappropriated surplus	13,127
Dividend (€1.85 per share)	–11,100
Carried forward to new account	**2,027**

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

As the only listed company in the Group, SIMONA AG filed a Declaration of Conformity in accordance with Section 161 AktG on 5 April 2024 and made it permanently available to shareholders on its website at https://www.simona.de/unternehmen/investor-relations/corporate-governance/entsprechenserklaerung/.

Ownership interests

Reported shareholdings in the company were as follows:

	Share of voting rights in SIMONA AG as at 31 December 2023 in %*	
	direct	incl. attribution
Dr. Wolfgang und Anita Bürkle Stiftung, Kirn	31.27	54.16
Kreissparkasse Biberach, Biberach	15.04	n.a.
Dirk Möller, Kirn	11.64	54.14
Rossmann Beteiligungs GmbH, Burgwedel	11.42	n.a.
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn	10.00	n.a.
Saskia Schönecke	0.18	54.33
Jan-Hinrich Tegtmeyer	0.18	54.33
René Möller	0.00	54.14
Sabrina Möller	0.00	54.14
Regine Tegtmeyer, Nebel	0.00	3.75

* The shareholdings of the shareholders concerned may have changed since the last notification of voting rights was submitted without triggering a notification obligation, i.e. the actual voting rights as at 31 December 2023 may have deviated from the voting rights stated in the table.

PART OF THE FUTURE

Voting rights notifications pursuant to Section 33(1) WpHG and Section 21(1) WpHG (old version)

SIMONA Aktiengesellschaft received the following notifications disclosing the most recent status of shareholders in respect of amounts exceeding or falling below reporting thresholds under Section 33(1) WpHG (Wertpapierhandelsgesetz – WpHG) or Section 21(1) of the German Securities Trading Act (old version) (Wertpapierhandelsgesetz – WpHG). The shareholdings of the shareholders concerned may have changed since the last notification of voting rights was submitted without triggering a notification obligation, i.e. the actual voting rights as at 31 December 2023 may have differed from those stated below.

On 25 May 2023, Dr. Wolfgang und Anita Bürkle Stiftung notified the company in accordance with Section 33(1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) that its voting power in respect of SIMONA AG had exceeded the threshold of 50 per cent on 23 May 2023 and that at this date its interest was 54.16 per cent (corresponding to 3,249,590 voting rights). Of these voting rights, 22.89 per cent (1,373,200 voting rights) are attributable to the aforementioned shareholder in accordance with Section 34 WpHG.

On 26 May 2023, Mr. Dirk Möller notified the company in accordance with Section 33(1) WpHG that his voting power in respect of SIMONA AG had exceeded the threshold of 50 per cent on 23 May 2023 and amounted to 54.14 per cent on this date (corresponding to 3,248,590 voting rights). Of these voting rights, 42.51 per cent (2,550,330 voting rights) are attributable to the aforementioned shareholder in accordance with Section 34 WpHG.

On 26 May 2023, Ms. Saskia Schönecke notified the company in accordance with Section 33(1) WpHG that her voting power in respect of SIMONA AG had exceeded the threshold of 50 per cent on 23 May 2023 and that at this date her interest was 54.33 per cent (corresponding to 3,259,630 voting rights). Of these voting rights, 54.14 per cent (3,248,580 voting rights) are attributable to the aforementioned shareholder in accordance with Section 34 WpHG.

On 26 May 2023, Mr. Jan-Hinrich Tegtmeyer notified the company in accordance with Section 33(1) WpHG that his voting power in respect of SIMONA AG had exceeded the threshold of 50 per cent on 23 May 2023 and that at this date his interest was 54.33 per cent (corresponding to 3,259,640 voting rights). Of these voting rights, 54.14 per cent (3,248,580 voting rights) are attributable to the aforementioned shareholder in accordance with Section 34 WpHG.

On 26 May 2023, Mr. René Möller notified the company in accordance with Section 33(1) WpHG that his voting power in respect of SIMONA AG had exceeded the threshold of 50 per cent on 23 May 2023 and amounted to 54.14 per cent on this date (corresponding to 3,248,590 voting rights). Of these voting rights, 54.14 per cent (3,248,490 voting rights) are attributable to the aforementioned shareholder in accordance with Section 34 WpHG.

On 26 May 2023, Ms. Sabrina Möller notified the company in accordance with Section 33(1) WpHG that her voting power in respect of SIMONA AG had exceeded the threshold of 50 per cent on 23 May 2023 and that at this date her interest was 54.14 per cent (corresponding to 3,248,590 voting rights). Of these voting rights, 54.14 per cent (3,248,490 voting rights) are attributable to the aforementioned shareholder in accordance with Section 34 WpHG.

On 31 May 2023, Ms. Regine Tegtmeyer notified the company in accordance with Section 33(1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) that her voting power in respect of SIMONA AG had fallen below the thresholds of 50 per cent, 30 per cent, 25 per cent, 20 per cent, 15 per cent, 10 per cent and 5 per cent on 23 May 2023 and that at this date her interest was 3.75 per cent (corresponding to 224,908 voting rights). Of these voting rights, 3.75 per cent (224,908 voting rights) are attributable to the aforementioned shareholder in accordance with Section 34 WpHG.

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

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

Group relationship

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.

Audit fees

The fee for auditing services provided by Deloitte GmbH Wirtschaftsprüfungsgesellschaft related primarily to the audit of the consolidated financial statements, the financial statements and the combined management report of SIMONA AG as well as various audits of the annual financial statements of its subsidiaries. The other assurance services provided by Deloitte GmbH Wirtschaftsprüfungsgesellschaft relate to the review of certain financial documents. The disclosures relating to auditors' fees are included in the consolidated financial statements of SIMONA AG. No disclosure is made here due to the exempting Group clause, i.e. relief clause, of Section 285 No. 17 HGB.

Events after the reporting period

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

Kirn, 11 April 2024

SIMONA Aktiengesellschaft
The Management Board

Matthias Schönberg   Dr. Jochen Hauck   Michael Schmitz

Responsibility statement pursuant to Section 264(2) sentence 3 HGB and Section 289(1) sentence 5 HGB

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

Kirn, 11 April 2024

SIMONA Aktiengesellschaft
The Management Board

Matthias Schönberg   Dr. Jochen Hauck   Michael Schmitz

PART
OF THE
FUTURE

STATEMENT OF CHANGES IN FIXED ASSETS OF SIMONA AG FOR THE FINANCIAL YEAR 2023

€ '000	COST OF PRUCHASE/PRODUCTION					
	01/01/ 2023	Currency translation	Additions	Disposals	Reclassifica-tions	**31/12/ 2023**
I. Intangible assets	**8,378**	**0**	**1,638**	**716**	**308**	**9,608**
1. Internally generated industrial property rights and similar rights and assets	0	0	1,462	0	174	1,636
2. Industrial property rights and similar rights and assets as well as licences in such rights and assets	8,378	0	176	716	134	7,972
II. Property, plant and equipment	**23,883**	**285**	**1,872**	**841**	**–308**	**24,891**
1. Land, land rights and buildings	4,580	249	0	0	0	4,830
2. Technical equipment and machinery	1,357	0	16	0	0	1,373
3. Other equipment, operating and office equipment	16,877	36	572	841	1	16,646
4. Prepayments and assets under construction	1,068	0	1,284	0	–310	2,042
III. Financial assets	**211,677**	**-100**	**2,474**	**3,443**	**0**	**210,608**
1. Investments in affiliated companies	179,603	0	1,874	753	0	180,724
2. Loans to affiliated companies	32,051	-100	600	2,691	0	29,860
3. Other long-term equity investments	23	0	0	0	0	23
	243,938	**185**	**5,984**	**5,000**	**0**	**245,107**

€ '000	ACCUMULATED DEPRECIATION/AMORTISATION/WRITE-DOWNS					NET CARRYING AMOUNTS	
	01/01/ 2023	Currency translation	Additions	Disposals	**31/12/ 2023**	**31/12/ 2023**	31/12/ 2022
I. Intangible assets	**7,210**	**0**	**452**	**716**	**6,947**	**2,662**	**1,167**
1. Internally generated industrial property rights and similar rights and assets	0	0	0	0	0	1,636	0
2. Industrial property rights and similar rights and assets as well as licences in such rights and assets	7,210	0	452	716	6,947	1,025	1,167
II. Property, plant and equipment	**11,770**	**77**	**1,367**	**809**	**12,405**	**12,486**	**12,114**
1. Land, land rights and buildings	746	47	91	0	885	3,944	3,834
2. Technical equipment and machinery	998	0	67	0	1,065	308	359
3. Other equipment, operating and office equipment	10,025	30	1,209	809	10,455	6,191	6,852
4. Prepayments and assets under construction	0	0	0	0	0	2,042	1,068
III. Financial assets	**31**	**0**	**1,132**	**25**	**1,137**	**209,470**	**211,647**
1. Investments in affiliated companies	25	0	0	25	0	180,724	179,578
2. Loans to affiliated companies	6	0	1,132	0	1,137	28,723	32,046
3. Other long-term equity investments	0	0	0	0	0	23	23
	19,011	**77**	**2,951**	**1,550**	**20,489**	**224,618**	**224,928**

PART OF THE FUTURE

DETAILS OF SHAREHOLDINGS OF SIMONA AG FOR THE FINANCIAL YEAR 2023

Entity	Ownership interest	Equity	Result of last financial year
	%	€ '000	€ '000
Directly			
SIMONA Beteiligungs-GmbH, Kirn (*)	100.0	1,834	0
SIMONA Sozialwerk GmbH, Kirn (**)	50.0	8,944	–1,687
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn (**)	50.0	857	792
SIMONA Produktion Kirn GmbH & Co. KG, Kirn	100.0	24,958	520
SIMONA Kirn Management GmbH, Kirn	100.0	24	–1
SIMONA Produktion Ringsheim GmbH & Co. KG, Ringsheim	100.0	5,947	303
SIMONA Ringsheim Management GmbH, Ringsheim	100.0	23	–1
SIMONA Immobilien GmbH & Co. KG, Kirn	100.0	17,223	2,427
SIMONA Immobilien Management GmbH, Kirn	100.0	26	0
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic	100.0	21,228	1,211
SIMONA Stadpipe AS, Stadlandet, Norway	74.9	5,918	–1,820
SIMONA Stadpipe Eiendom AS, Stadlandet, Norway	100.0	1,414	60
SIMONA POLSKA Sp. z o.o., Wrocław, Poland	100.0	1,772	632
DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland	51.0	2,089	567
SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Düzce, Türkiye	70.0	19,554	1,499
SIMONA PEAK Pipe Systems Limited, Chesterfield, United Kingdom	100.0	46,689	3,398
SIMONA America Group Inc., Archbald , USA	100.0	72,795	11,237
SIMONA ASIA LIMITED, Hong Kong, China	100.0	3,098	–1,170
SIMONA INDIA PRIVATE LIMITED, Mumbai, India	99.99	1,354	659

Entity	Ownership interest	Equity	Result of last financial year
	%	TEUR	TEUR
Indirectly			
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain	100.0	611	129
SIMONA S.A.S., Domont, France	100.0	694	320
SIMONA S.r.l., Vimodrone, Società UNIPERSONALE, Cologno Monzese (MI), Italy	100.0	921	514
SIMONA UK Ltd., Stafford, United Kingdom	100.0	3,070	446
POWER BOULEVARD INC., Archbald, USA	100.0	7,941	–1
SIMONA Boltaron Inc., Newcomerstown, USA	100.0	59,367	7,987
CARTIERWILSON, LLC, Marietta, USA (***)	25.0	516	1,515
SIMONA ENGINEERING PLASTICS (Guangdong) Co.Ltd., Jiangmen, China	100.0	11,203	128
SIMONA INDIA PRIVATE LIMITED, Mumbai, India	0.01	1,354	659
SIMONA PMC, LLC, Findlay, USA	100.0	9,489	1,248
Industrial Drive Inc., Findlay, USA	100.0	1	0
SIMONA AMERICA Industries LLC., Archbald, USA	100.0	50,367	15,996
SIMONA ASIA PACIFIC PTE. LTD., Singapore	100.0	–786	–113

* Control and profit transfer agreement with SIMONA AG
** Financial data for 2022
*** Preliminary financial data

REPRODUCTION OF THE AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To SIMONA Aktiengesellschaft, Kirn

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

Audit opinions

We have audited the financial statements of SIMONA Aktiengesellschaft, Kirn, which comprise the statement of financial position (balance sheet) as at 31 December 2023 and the statement of profit or loss (income statement) for the financial year from 1 January to 31 December 2023 as well as the notes to the financial statements, including a summary of accounting policies. In addition, we have audited the management report of SIMONA Aktiengesellschaft, Kirn, which is combined with the Group management report, for the financial year from 1 January to 31 December 2023. In accordance with German legal requirements, we have not audited the content of the combined non-financial statement pursuant to Sections 289b and 315b of the German Commercial Code (Handelsgesetzbuch – HGB), included in section 6 of the combined management report, as well as the combined corporate governance statement pursuant to Sections 289f and 315d HGB and the compensation report pursuant to Section 162 AktG, which are each referred to in section 5 of the combined management report. In addition, we have not audited the content of the disclosures specified as unaudited 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 combined management report.

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

- the accompanying financial statements comply, in all material respects, with the provisions of German commercial law applicable to stock corporations and give a true and fair view of the financial position and cash flows of the Company as at 31 December 2023 and its financial performance for the financial year from 1 January to 31 December 2023 in accordance with German Generally Accepted Accounting Principles, and
- the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, the combined management report is consistent with the financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of the abovementioned statements and the above-mentioned compensation report or the unaudited disclosures in the subsection „Appropriateness and effectiveness of the overall internal control and risk management system" of section „3. Report on opportunities and risks".

Pursuant to Section 322(3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to legal compliance of the financial statements and the combined management report.

Basis for the audit opinions

We conducted our audit of the financial statements and combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter referred to as „EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer – IDW). Our responsibilities under those requirements and principles are further described in the „Auditor‘s responsibilities for the audit of the financial statements and combined management report“ section of our report. We are independent of the Company in accordance with the requirements of European Union law as well as German commercial law and the rules of professional conduct, and we have fulfilled our other professional responsibilities under German law in accordance with these requirements. In addition, pursuant to Article 10(2)(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 obtained is sufficient and appropriate to provide a basis for our audit opinions on the financial statements and combined management report.

Key audit matters in the audit of the financial statements
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, but we do not provide a separate audit opinion on these matters.

In the following, we present the key audit matters we have determined in the course of our audit, namely the recoverability (i.e. impairment testing) of the goodwill recognised and loans to affiliated companies.

Our presentation of this key audit matter has been structured in each case as follows:
a) Description (including reference to corresponding information in the financial statements)
b) Auditor‘s response

Recoverability of interests in affiliated companies and loans to these affiliated companies

a) As at 31 December 2023, the carrying amount of interests in affiliated companies was €180.7 million (i.e. 50.5% of total assets) and loans to these affiliated companies were €28.7 million (i.e. 8.0% of total assets) Both items are presented under „Financial assets“ in the annual financial statements.

Interests in affiliated companies and loans are tested annually for an expected permanent impairment and a resulting need to reduce the carrying amount to the lower fair value. If these analyses require a detailed measurement of specific investments, this measurement is carried out using the German income approach („Ertragswertverfahren“) and is based on budget planning (2024) for which the executive directors are responsible and which has been approved by the Supervisory Board as well as medium-term planning (2025 to 2027) approved by the executive directors. The planning projections also take into consideration expectations regarding future market development and assumptions relating to the macroeconomic influences. A country-specific cost of capital rate is used for discounting.

Due to the material significance of the interests in affiliated companies and loans for the annual financial statements and the judgement required by the executive directors in their measurement, this matter was of particular significance in the context of our audit.

The company‘s disclosures on interests in affiliated companies and loans are included in the section on accounting policies, disclosures on ownership interests in and loans to affiliated companies in the notes.

b) As part of our audit in respect of permanent impairment of interests in affiliated companies and loans, we reviewed the process implemented by the executive directors of SIMONA Aktiengesellschaft to identify and determine the need for impairment.

In accordance with our audit strategy and taking into account the knowledge obtained in the course of the audit, we performed audit procedures in accordance with our risk assessment, which was based in particular on headroom and sensitivity analyses as well as our assessment of past adherence to planning. As part of the audit of recoverability, we integrated inhouse valuation specialists within our audit team and, with their support, reviewed the appropriateness of the valuation model and the key parameters underlying the calculations. We also audited the expected future income from the planning calculations of the executive directors and the perpetual annuity using the assumptions made and on the basis of general and industry-specific market expectations.

In addition, we obtained extensive supplementary explanations from the executive directors on the planning calculations and included the adherence to planning with regard to the individual affiliated companies in our assessment. In addition, we reviewed the country-specific discount rates applied to measurement using our own verification and comparative calculations and checked their plausibility on the basis of market data. Finally, we performed sensitivity analyses both with regard to the growth expectations for the future earnings of the affiliated companies and with regard to the discount rates applied and assessed whether the methods applied by the executive directors, the assumptions made, the data used and the parameters applied are justifiable.

Other Information

The executive directors and Supervisory Board are responsible for the Other Information. Other Information encompasses:

- the compensation report,
- the combined non-financial statement,
- the combined corporate governance statement,
- the information included 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 combined management report that is designated as unaudited, and
- the responsibility statement pursuant to Section 264(2) sentence 3 and Section 289(1) sentence 5 HGB relating to the financial statements and the combined management report.

The executive directors and the Supervisory Board are responsible for the declaration in accordance with Section 161 AktG on the German Corporate Governance Code, which forms part of the combined corporate governance statement, and for the compensation report. Beyond that, the executive directors are responsible for the Other Information.

Our audit opinions on the financial statements and on the combined 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 the context of our audit, our responsibility is to read the above-mentioned Other Information and, in so doing, to consider whether the Other Information

- is materially inconsistent with the financial statements, with the combined 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 Supervisory Board for the financial statements and the combined management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to stock corporations, and that the annual financial statements give a true and fair view of the financial position, cash flows and financial performance of the Company in compliance with German Generally Accepted Accounting Principles. Furthermore, the executive directors are responsible for such internal control as they, in accordance with German Generally Accepted Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the financial statements, the executive directors are responsible for assessing the Company‘s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. Additionally, they are responsible for financial reporting based on the going concern basis of accounting unless there are factual or legal obstacles preventing them from doing so.

Moreover, the executive directors are responsible for preparing the combined management report, which as a whole provides an appropriate view of the Company‘s position, and, in all material respects, is consistent with the 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 combined 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 combined management report.

The Supervisory Board is responsible for overseeing the Company‘s financial reporting process for the preparation of the financial statements and the combined management report.

Auditor‘s responsibilities for the audit of the financial statements and the combined management report

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Company’s position and, in all material respects, is consistent with the financial statements and the knowledge obtained in the audit, complies with 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 financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation, as well as in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the German Institute of Public Auditors (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 financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements and of the combined 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 the risk of not detecting a material misstatement 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 financial statements, and of the arrangements and measures relevant to the audit of the combined management report, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors‘ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company‘s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor‘s report to the related disclosures in the financial statements and combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor‘s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view of the financial position, cash flows and financial performance of the Company in accordance with German Generally Accepted Accounting Principles.
- evaluate consistency of the combined management report with the financial statements, its legal compliance, and the view of the Company‘s position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we trace, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and assess whether the prospective information was properly derived 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 substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We 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, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the 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 reproductions of the financial statements and the combined management report prepared for publication pursuant to Section 317(3a) HGB

Assurance opinion

We have performed a reasonable assurance engagement in accordance with Section 317(3a) HGB to determine whether the electronic reproductions of the financial statements and of the combined management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the file that has the SHA-256 val-ue 27f928457e75f49ff2630da2 cecd7d92d07ab6967cb808a4626f3de04eb4513a meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328(1) HGB ("ESEF format"). In accordance with German legal requirements, this assurance work only covers the conversion of the information in the financial statements and the combined management report into the ESEF format and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the above-mentioned file.

In our opinion, the electronic reproductions of the financial statements and the combined management report contained in the aforementioned file and prepared for the purpose of publication meet, in all material respects, the requirements of Section 328(1) HGB regarding the electronic reporting format. Beyond this reasonable assurance opinion and our audit opinions on the accompanying financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2023 contained in the preceding „Report on the audit of the financial statements and the combined management report", we do not express any assurance opinion on the information contained within these electronic reproductions or on the other information contained in the aforementioned file.

Basis for the assurance opinion

We conducted our assurance work of the electronic reproductions of the financial statements and the combined management report contained in the above-mentioned file in accordance with Section 317(3a) of the German Commercial Code (HGB) and on the basis of the IDW Auditing Standard: Assurance in Accordance with Section 317(3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW PS 410 (06.2022)). Our responsibilities under that standard are further described in the „Auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm has applied the IDW Quality Management Standards.

Responsibilities of the executive directors and Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents with the electronic reproductions of the financial statements and the combined management report in accordance with Section 328(1) sentence 4 no. 1 HGB.

In addition, the executive directors of the Company are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328(1) HGB. The Supervisory Board is responsible for overseeing the process relating to the preparation of the ESEF documents as part of the financial reporting process.

Auditor’s responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328(1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material non-compliance with the requirements of Section 328(1) HGB, whether intentional or unintentional, 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 controls 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 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 enable an XHTML reproduction with content equivalent to the audited financial statements and to the audited combined management report.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor at the annual general meeting held on 2 June 2023. We were engaged by the Supervisory Board on 13 June 2023. We have been the auditor of SIMONA Aktiengesellschaft, Kirn, since the 2023 financial year.

We declare that the audit opinions in this auditor‘s report are consistent with the additional report to the audit committee referred to in Article 11 of the EU Audit Regulation (audit report).

OTHER MATTERS – USE OF THE AUDITOR‘S REPORT

Our auditor’s report must always be read together with the audited financial statements and the audited combined management report as well as the assured ESEF documents. The financial statements and the combined management report converted to the ESEF format – including the versions to be submitted for inclusion in the Company Register – are merely electronic reproductions of the audited financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Stefan Dorissen.

Frankfurt am Main, den 11. April 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Stefan Dorissen	Jan Genau
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

This document is published in German and as an English translation. Only the German original shall be deemed authoritative.

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