PART OF THE FUTURE

Consolidated 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.

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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.

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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.

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

PART OF THE FUTURE

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.

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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

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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

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GROUP INCOME STATEMENT OF SIMONA AG

in € '000	Notes	01/01/ – 31/12/2023	01/01/ – 31/12/2022
Revenue	[7]	600,025	712,068
Changes in inventories of finished goods and work in progress		–7,598	10,796
Own work capitalised	[8]	274	0
Other income	[8]	9,313	6,559
Cost of materials	[9]	311,721	425,314
Staff costs	[10]	115,000	113,358
Amortisation/write-downs of intangible assets and depreciation/write-downs of property, plant and equipment as well as right-of-use assets under leases	[17, 18, 19]	22,999	21,490
Other expenses	[12]	99,380	115,206
Earnings before interest and taxes (EBIT)		**52,914**	**54,055**
Finance income	[13]	6,364	8,186
Finance cost	[13]	13,819	9,518
Income from investments accounted for using the equity method	[20]	–221	477
Earnings before taxes (EBT)		**45,238**	**53,201**
Income taxes	[14]	14,461	15,788
Profit for the period		**30,777**	**37,413**
Of which attributable to:			
Owners of the parent company		30,506	37,839
Non-controlling interests		271	–427

NUMBER OF SHARES

in thousand			
		6,000	6,000

EARNINGS PER SHARE

in €			
– basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[15]	5.08	6.31
– diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[15]	5.08	6.31

GROUP STATEMENT OF COMPREHENSIVE INCOME OF SIMONA AG

in € '000	Notes	01/01/ – 31/12/2023	01/01/ – 31/12/2022
Profit for the period		**30,777**	**37,413**
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations	[27, 28]	–29,239	64,131
Deferred taxes on remeasurement of defined benefit obligations	[14]	8,616	–18,914
Items that may be reclassified subsequently to profit or loss:			
Exchange differences relating to currency translation	[25, 31]	–12,690	1,336
Deferred taxes from currency translation	[14,25]	113	–34
Other comprehensive income recognised directly in equity		**–33,200**	**46,519**
Total comprehensive income		**–2,423**	**83,932**
Of which attributable to:			
Owners of the parent company		–743	84,359
Non-controlling interests		–1,680	–427

GROUP STATEMENT OF FINANCIAL POSITION OF SIMONA AG

ASSETS

in € '000	Notes	31/12/2023	31/12/2022
Intangible assets	[17]	93,710	96,166
Property, plant and equipment	[18]	188,140	176,801
Financial assets	[34]	281	281
Investments accounted for using the equity method	[20]	731	1,076
Right-of-use assets under leases	[19]	7,696	8,593
Deferred tax assets	[14]	7,040	8,976
Derivative financial instruments	[35]	175	408
NON-CURRENT ASSETS		**297,773**	**292,300**
Inventories	[21]	132,774	144,439
Trade receivables	[22]	82,991	88,863
Other assets	[23]	14,174	15,950
Income tax assets	[23]	8,937	13,520
Other financial assets	[34]	278	304
Cash and cash equivalents	[24, 31]	74,244	65,716
CURRENT ASSETS		**313,398**	**328,793**
Total assets		**611,171**	**621,093**

EQUITY AND LIABILITIES

in € '000	Notes	31/12/2023	31/12/2022
Equity attributable to owners of the parent company			
Issued capital		15,500	15,500
Capital reserves		40,627	40,627
Revenue reserves		300,162	304,093
Other reserves		–2,171	8,455
		354,118	**368,675**
Non-controlling interests		7,818	7,730
EQUITY	[25]	**361,936**	**376,405**
Financial liabilities	[26]	26,601	36,358
Provisions for pensions	[27, 28]	78,413	47,529
Other provisions	[29]	3,993	5,657
Liabilities under leases	[19]	6,222	7,159
Other financial liabilities	[26]	15,177	11,119
Deferred tax liabilities	[14]	23,464	33,268
Non-current liabilities		**153,870**	**141,090**
Financial liabilities	[26]	32,199	32,592
Provisions for pensions	[27]	2,158	1,945
Other provisions	[29]	2,778	1,867
Trade payables		27,333	32,634
Income tax liabilities		3,209	6,472
Liabilities under leases	[19]	1,533	1,497
Other financial liabilities	[26]	4,780	2,818
Other liabilities	[30]	21,375	23,773
Current liabilities		**95,365**	**103,598**
Total equity and liabilities		**611,171**	**621,093**

GROUP STATEMENT OF CASH FLOWS OF SIMONA AG

in € '000	Notes	01/01/ – 31/12/2023	01/01/ – 31/12/2022
Earnings before taxes		45.238	53.201
Income taxes paid		–11.105	–13.654
Finance income and cost (excl. interest expense relating to pensions)	[13]	1.911	751
Amortisation/write-downs of intangible assets and depreciation/write-downs of property, plant and equipment as well as right-of-use assets under leases	[17, 18, 19]	22.999	21.490
Other non-cash expenses and income		5.716	4.658
Result from disposal of non-current assets		–263	374
Change in inventories	[21]	7.799	–19.390
Change in trade payables	[22]	2.591	–1.497
Change in other assets	[23]	1.256	–5.401
Change in pension provisions	[27, 28]	2.026	895
Change in liabilities and other provisions	[29, 30]	–8.811	–1.095
Net cash from operating activities		**69.357**	**40.330**
Investments in intangible assets and property, plant and equipment	[17, 18]	–34.367	–34.573
Acquisition of subsidiaries and other business units less net cash acquired		0	–37.687
Proceeds from the disposal of non-current assets		688	896
Proceeds from disposals of financial assets		970	300
Payments relating to financial investments as part of short-term financial management	[34]	–1	0
Interest received		1.578	946
Net cash used in investing activities		**–31.132**	**–70.117**
Proceeds from borrowings		3.000	59.808
Repayment of financial liabilities	[26]	–15.005	–5.470
Repayment of lease liabilities	[19]	–1.816	–1.655
Payment of prior-year dividend	[16]	–11.100	–9.690
Payment of dividends to non-controlling interests		–260	–109
Interest paid and similar expenses		–3.261	–1.701
Net cash used in/from financing activities		**–28.442**	**41.183**
Effect of foreign exchange rate changes on liquidity	[31]	–1.255	265
Change in cash and cash equivalents		**8.528**	**11.661**
Cash and cash equivalents at 1 January	[24, 31]	65.716	54.055
Cash and cash equivalents at 31 December	[24, 31]	74.244	65.716
Change in cash and cash equivalents		**8.528**	**11.661**

GROUP STATEMENT OF CHANGES IN EQUITY OF SIMONA AG

		EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY							
		Issued capital	Capital reserves	Revenue reserves	Other reserves	Treasury shares IFRS	Total		
in € '000					Currency translation differences			NON-CONTROLLING INTERESTS	TOTAL EQUITY
	Notes	[25]	[25]		[25]			[25]	
Balance at 01/01/2022		**15,500**	**15,274**	**219,120**	**6,580**	**–597**	**255,877**	**6,161**	**262,038**
Amount recognised directly in equity as part of the Statement of Comprehensive Income		0	0	45,217	1,302	0	46,519	0	46,519
Profit for the period		0	0	37,839	0	0	37,839	–427	37,413
Total comprehensive income		**0**	**0**	**83,057**	**1,302**	**0**	**84,359**	**–427**	**83,932**
Dividend payment	[16]	0	0	–9,690	0	0	–9,690	–179	–9,869
Changes in the scope of consolidation	[25]	0	0	3,999	0	0	3,999	0	3,999
Financial Reporting in Hyperinflationary Economies IAS 29		0	0	5,988	0	0	5,988	2,566	8,554
Allocation plan assets with treasury shares		0	25,353	0	0	597	25,950	0	25,950
Other changes		0	0	1,619	571	0	2,190	–391	1,799
Balance at 31/12/2022		**15,500**	**40,627**	**304,093**	**8,455**	**0**	**368,675**	**7,730**	**376,405**
Balance at 01/01/2023		**15,500**	**40,627**	**304,093**	**8,455**	**0**	**368,675**	**7,730**	**376,405**
Amount recognised directly in equity as part of the Statement of Comprehensive Income		0	0	–20,623	–10,625	0	–31,249	–1,951	–33,200
Profit for the period		0	0	30,506	0	0	30,506	271	30,777
Total comprehensive income		**0**	**0**	**9,883**	**–10,625**	**0**	**–743**	**–1,680**	**–2,423**
Dividend payment	[16]	0	0	–11,100	0	0	–11,100	–260	–11,360
Changes in the scope of consolidation	[25]	0	0	–6,546	0	0	–6,546	0	–6,546
Financial Reporting in Hyperinflationary Economies IAS 29		0	0	4,469	0	0	4,469	1,915	6,385
Other changes		0	0	–639	–2	0	–640	112	–528
Balance at 31/12/2023		**15,500**	**40,627**	**300,161**	**–2,171**	**0**	**354,118**	**7,818**	**361,936**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF SIMONA AG

[1] COMPANY INFORMATION

SIMONA AG is a stock corporation (Aktiengesellschaft) founded in Germany – registered office at Teichweg 16, 55606 Kirn, Germany. Its shares are traded within the General Standard of the Frankfurt and Berlin Stock Exchanges. The company has been entered in the Commercial Register at the District Court of Bad Kreuznach (HRB 1390). The consolidated financial statements of SIMONA AG for the financial year ended 31 December 2023 were released by the Management Board on the basis of a resolution of 4 April 2024 for the purpose of forwarding them to the Supervisory Board.

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

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

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

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

Entity	Registered office, country
SIMONA UK Ltd. (sales activities until 31/12/2023)	Stafford, United Kingdom
SIMONA S.A.S.	Domont, France
SIMONA S.r.l. Società UNIPERSONALE	Cologno Monzese (MI), Italy
SIMONA IBERICA SEMIELABORADOS S.L.	Barcelona, Spain
SIMONA POLSKA Sp. z o.o.	Wrocław, Poland
DEHOPLAST POLSKA Sp. z o.o.	Kwidzyn, Poland
SIMONA Plast-Technik s.r.o.	Litvinov, Czech Republic
SIMONA ASIA LIMITED	Hong Kong, China
SIMONA ENGINEERING PLASTICS (Guangdong) Co., Ltd.	Jiangmen, China
SIMONA AMERICA Industries LLC	Archbald, USA
SIMONA Boltaron Inc.	Newcomerstown, USA
SIMONA PMC, LLC	Findlay, USA
SIMONA INDIA PRIVATE LIMITED	Mumbai, India
SIMONA Stadpipe AS	Stadlandet, Norway
SIMONA PLASTECH Levha Sanayi Anonim Şirketi	Düzce, Türkiye
SIMONA PEAK Pipe Systems Limited	Chesterfield, United Kingdom

[2] ACCOUNTING POLICIES

Basis of preparation

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

Statement of compliance with IFRS

The consolidated financial statements of SIMONA AG and the entities included in the consolidated group for the period ended 31 December 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the end of the reporting period, as adopted by the European Union, and the provisions of commercial law to be applied additionally pursuant to Section 315e(1) of the German Commercial Code (Handelsgesetzbuch – HGB).

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

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

The Group statement of financial position conforms with the presentation requirements of IAS 1. Various items reported in the income statement and the statement of financial position have been aggregated for the purpose of improving the overall clarity of presentation. These items are disclosed and discussed separately in the notes to the consolidated financial statements.

Principles of consolidation

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

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

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

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

Exemption according to Section 264b HGB

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

[3] NEW FINANCIAL REPORTING STANDARDS

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

As regards new standards, interpretations and amendments, SIMONA will generally apply for the first time those that were mandatory, i.e. those that are applicable to financial years beginning on or before 1 January 2023. The International Accounting Standards Board published the amendments to IFRS 17 back in June 2020 and ultimately decided to postpone the date of initial application of IFRS 17 and the expiry date of the temporary exemption from applying IFRS 9 to 1 January 2023. IFRS 17 sets out the principles for the identification, recognition, measurement, presentation and disclosure of insurance contracts and replaces the previous standard IFRS 4. The provisions relating to measurement are based on the building block approach. The amendments were incorporated into EU law on 19 November 2021 and are mandatory for financial years beginning on or after 1 January 2023. IFRS 17 does not give rise to any changes for the SIMONA Group in the presentation of its financial position, financial performance and cash flows. In addition, there are mandatory changes resulting from IAS 1 and IAS 8 in the specification of disclosures on accounting policies as well as changes from IAS 12 in relation to the clarification of deferred taxes in connection with leases and disposal obligations. Furthermore, the amendment to IAS 12 covers the disclosure of income tax effects of the OECD Pillar Two model rules. None of the amendments had a material impact on the presentation of the financial performance, financial position and cash flows of the SIMONA Group.

3.2 Standards and interpretations not yet applicable in the financial year

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

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

In the 2023 financial year, there were several amendments or additions to existing standards that had already been adopted by the EU but for which application was not yet mandatory in respect of the financial year under review. Amendments to IAS 1 “Presentation of Financial Statements” clarifies the classification of liabilities as current or non-current. Liabilities are classified as non-current if, at the end of the reporting period, the entity has a substantive right to defer settlement of the liability for at least twelve months at the end of the reporting period. The date of initial application was postponed to 1 January 2024 by way of the IASB’s announcement of 31 October 2022. The effects of applying the new classification of liabilities as current or non-current on the presentation of the financial position, financial performance and cash flows of the SIMONA Group are unlikely to be material. On 22 September 2022, the IASB published amendments to IFRS 16 “Leases”. The amendments relate to the accounting for lease liabilities in sale-and-leaseback transactions. The amendment to IFRS 16 requires the lease liability to be measured so that no gain or loss arises on its subsequent measurement in respect of the retained right of use. The amendments are mandatory as from 1 January 2024. Early application is permitted but is subject to EU endorsement. The amendments to IFRS 16 are not likely to have a material impact on the presentation of the financial performance, financial position and cash flows of the SIMONA Group. The IASB published amendments to IAS 1 “Presentation of Financial Statements” on 31 October 2022. The amendments relate to the classification of liabilities (as current or non-current) for which certain loan-related covenants have been agreed. The amendments specify that only those covenants that an entity must comply with on or before the reporting date shall affect the classification of a liability as current or non-current. In addition, the amendments provide for additional disclosure requirements in respect of non-current liabilities with covenants. The disclosures are intended to enable investors to assess the risk that a non-current liability could become repayable within twelve months, including the following information: carrying amount of the liability, nature of the covenants, period for which the covenants apply. The amendments to IAS 1 shall apply for financial years beginning on or after 1 January 2024. Early application is permitted. The amendments are not likely to have a material impact on the presentation of the financial performance, financial position and cash flows of the SIMONA Group.

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

On 15 August, the IASB published amendments to IAS 21 “The Effects of Changes in Foreign Exchange Rates” with regard to diversity in practice in accounting for a lack of exchangeability between currencies. It specifies when a currency can be exchanged for another currency. It also establishes how an entity shall determine the closing rate to be applied if a currency is not exchangeable. In addition, the amendments contain details on disclosures to be provided if the currency is not exchangeable. The amendments also extend to corresponding changes to IFRS 1, in which exchangeability had previously been mentioned but not defined. The amendments to IAS 21 shall apply for financial years beginning on or after 1 January 2025. The amendments are not likely to have a material impact on the presentation of the financial performance, financial position and cash flows of the SIMONA Group.

On 25 May 2023, the IASB published amendments to IAS 7 “Statement of Cash Flows” and IFRS 7 “Financial Instruments”. The amendments relate to supplier finance arrangements. At the heart of the amendments is a disclosure requirement for entities to enable users of financial statements to assess the effects of supplier finance arrangements on an entity’s liabilities and cash flows. Furthermore, an assessment must be made of the extent to which supplier finance arrangements affect a company’s liquidity risk. The amendments to IAS 7 and IFRS 17 shall apply for financial years beginning on or after 1 January 2024. The amendments are not likely to have a material impact on the presentation of the financial performance, financial position and cash flows of the SIMONA Group.

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

The regulations on global minimum taxation are to be applied for the first time from 1 January 2024 (OECD - Pillar Two). The rules are designed to ensure that the income of multinational corporations with annual revenues of €750 million or more is subject to a minimum tax rate of 15 per cent. As a group of companies that may potentially be affected by these rules, the SIMONA Group is monitoring developments relating to the introduction of a global minimum tax, analysing the existing regulations and drafts with regard to their impact on the Group and working on the necessary adjustments to tax reporting processes. As regards the first-time application for financial years beginning on or after 1 January 2024, global minimum taxation has no impact on the SIMONA Group.

[4] MATERIAL JUDGEMENTS AND ESTIMATES

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

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

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

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

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

The Group determines at the end of each reporting period whether there are observable indications that a non-financial asset or group of CGUs is impaired. If such indications are present or if an annual impairment test of an asset or a group of CGUs is required, the Group makes an estimate of the recoverable amount of each asset or of the group of CGUs.

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

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

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

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

The budget calculations are based on assumptions regarding the effects of climate change and the influence of other sustainability-related aspects on the business performance of the SIMONA Group. These assumptions relate, for example, to changes in patterns of customer demand, regulatory requirements or changes in production conditions. Climate-related risks for the SIMONA Group in this regard, for example due to the necessary implementation of regulatory requirements to promote a circular economy and mitigate climate change, had no material impact overall on the determination of the recoverable amounts of the CGUs or groups of CGUs.

[5] SUMMARY OF MATERIAL ACCOUNTING POLICIES

Currency translation

The items accounted for in the respective financial statements are measured on the basis of the functional currency. Foreign currency transactions are translated initially between the functional currency and the foreign currency at the arithmetic mean rate applicable on the day of the transaction. Foreign exchange differences are recognised in the income statement under other income or other expenses, unless they relate to currency effects from financing activities. These are reported in net finance income/costs.

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

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

Annual financial statements prepared by the consolidated Group entities in a foreign currency are translated on the basis of the functional currency method. The functional currency is the currency of the primary economic environment in which the entities operate, which in the case of the Group companies of SIMONA AG is the respective local currency. The translation differences are recognised in other comprehensive income; the cumulative amount is only reclassified to profit and loss upon partial or complete disposal of the foreign operation.

The consolidated financial statements are prepared in euro.

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

Entity	**Registered office, country**	**Currency**
SIMONA UK Ltd.	Stafford, United Kingdom	Pound Sterling
SIMONA PEAK Pipe Systems Limited	Chesterfield, United Kingdom	Pound Sterling
SIMONA POLSKA Sp. z o.o.	Wrocław, Poland	Polish zloty
DEHOPLAST POLSKA Sp. z o.o.	Kwidzyn, Poland	Polish zloty
SIMONA Plast-Technik s.r.o.	Litvinov, Czech Republic	Czech koruna
SIMONA FAR EAST LIMITED (liquidation December 2023)	Hong Kong, China	Hong Kong dollar
SIMONA ASIA LIMITED	Hong Kong, China	Hong Kong dollar
SIMONA AMERICA Industries LLC	Archbald, USA	US dollar
SIMONA AMERICA Group INC.	Archbald, USA	US dollar
Power Boulevard Inc.	Archbald, USA	US dollar
SIMONA Boltaron Inc.	Newcomerstown, USA	US dollar
SIMONA PMC, LLC	Findlay, USA	US dollar
Industrial Drive Inc.	Findlay, USA	US dollar
SIMONA ENGINEERING PLASTICS (Guangdong) Co., Ltd.	Jiangmen, China	Chinese renminbi yuan
OOO SIMONA RUS (liquidation December 2023)	Moscow, Russian Federation	Russian rouble
SIMONA INDIA PRIVATE LIMITED	Mumbai, India	Indian rupee
SIMONA ASIA PACIFIC PTE. LTD.	Singapore, Singa-pore	Singapore dollar
SIMONA Stadpipe AS	Stadlandet, Norway	Norwegian krone
SIMONA Stadpipe Eiendom AS	Stadlandet, Norway	Norwegian krone
SIMONA PLASTECH Levha Sanayi Anonim Şirketi	Düzce, Türkiye	Turkish lira

Accounting in hyperinflationary economies

Based on data published by the International Monetary Fund in April 2022, Türkiye has been classified as hyperinflationary since the second quarter of 2022. Therefore, for the first time, the Group applied IAS 29, Financial Reporting in Hyperinflationary Economies, to the subsidiary in Türkiye as regards these consolidated financial statements. In this context, IAS 29 is applied as if Türkiye had always been hyperinflationary. The financial statements of the aforementioned entity, whose functional currency is the Turkish lira, are adjusted to the current purchasing power at the end of the reporting period. Transactions relating to the financial year under review and non-monetary items are translated at the end of the reporting period to reflect the current price index at the reporting date. The National Consumer Price Index published by the Turkish Statistical Institute was used in order to make the requisite adjustments for these influencing factors. As at 31 December 2023, this figure was 64.77% for the last twelve months (previous year: 64.27%). The monetary gain of €3,652 thousand (previous year: €4,774 thousand) is recognised in the income statement within net finance income/cost. The cumulative three-year inflation rate in Türkiye was 159.64% as at 31 December 2023 (previous year: 156.17%).

Business combinations

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

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

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

Intangible assets

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

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

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

Property, plant and equipment

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

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

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

Leasing

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

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

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

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

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

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

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

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

Short-term leases are leases with a lease term of twelve months or less.

Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.

Research and development costs

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

To the extent that research and development activities provide the basis for a product that is technically feasible and from which the Group can generate future economic benefits, the period attributable to general research activities generally constitutes the major part thereof. The development costs eligible for capitalisation within the meaning of IAS 38.57 are therefore generally negligible. In consideration of the principle of materiality the intangible asset is not capitalised in such cases. This approach does not adversely affect the true and fair view of the Group's state of affairs as regards financial performance, financial position and cash flows.

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

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

Impairment of non-financial assets

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

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

Investments and other financial assets

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

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

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

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

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

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

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

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

Impairment of financial assets

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

The Group applies the simplified approach as regards the impairment of trade receivables. As regards other financial assets, the Group applies a three-stage impairment model based on changes in credit quality since initial recognition. A financial instrument that is not impaired on initial recognition is classified in Stage 1. Expected credit losses in respect of Stage 1 financial assets are recognised at an amount equal to the proportion of the total expected credit loss over the remaining life of the instrument that is expected to arise as a result of all possible default events over the next 12 months or the remaining life of the financial instrument, whichever is shorter ("12-month expected credit loss"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its expected credit losses are measured based on the total expected credit losses over the remaining term to maturity, i.e. until contractual maturity, but taking into account any expected prepayment ("lifetime ECL"). If the Group determines that an asset is impaired, the asset is transferred to Stage 3 and its expected credit losses are measured as lifetime ECLs. The expected credit losses of assets that are already impaired upon addition are always measured as "lifetime ECLs".

Investments accounted for using the equity method

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

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

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

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

Inventories

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

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

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

Cash and cash equivalents

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

As regards the Group statement of cash flows, cash and cash equivalents comprise the aforementioned cash and cash equivalents.

Financial liabilities

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

Interest-bearing borrowings

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

Accounting for put and call options from company acquisitions

A financial liability has been recognised for put and call options relating to the acquisition of SIMONA Stadpipe AS and SIMONA PLASTECH Levha Sanayi Anonim Şirketi, which represents the outstanding interests in regard to the acquisition. The liability is recognised on initial recognition at the present value of the exercise price. The liability is reclassified from equity at the time of addition (IAS 32.23). The market interest rate for comparable financing is used for discounting purposes and includes, among other factors, the credit rating of SIMONA AG. Subsequent measurement is carried out in accordance with IFRS 10.23 without affecting profit or loss.

Derivative financial instruments

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

Other provisions

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

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

Pensions

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

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

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

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

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

Government grants

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

Revenue recognition

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

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

The Group's business activities involve planning, producing and installing piping systems used in the aquaculture industry. This relates to project business and therefore differs from the Group's other sales revenue. In this context, the performance obligation comprises the planning, production and installation of piping systems used in the aquaculture industry. As a result, control over the services promised is gradually transferred to the customer over the duration of the project, which is why revenue is recognised over the term of the project in accordance with the percentage of completion. The stage of completion is measured using the input method. In this context, revenue recognition reflects the gradual transfer of control to the customer. During the project term, invoices are issued to the customer as soon as contractually agreed milestones have been reached. If the recognised revenue exceeds the invoiced services, the surplus is capitalised as a contract asset under other assets. If the customer payments received exceed the recognised revenues, they are recognised as contract liabilities under other liabilities.

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

Taxes

a) Current tax assets and current tax liabilities

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

b) Deferred taxes

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

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

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

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

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

c) Value added tax

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

[6] SEGMENT REPORTING

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

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

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

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

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

SEGMENT INFORMATION OF THE SIMONA GROUP

	EMEA		Americas	
in € '000	**2023**	**2022**	**2023**	**2022**
Revenues from external customers	369,313	456,919	179,281	207,070
Revenues from other segments	13,713	18,265	335	605
Revenue (total)	**383,026**	**475,184**	**179,616**	**207,675**
Own work capitalised and other income	9,977	4,959	331	419
Cost of materials	208,190	301,438	80,347	107,931
Staff costs	74,762	75,746	35,372	32,882
Depreciation, amortisation and write-downs	16,160	14,406	5,645	5,467
Other expenses	68,818	78,979	25,350	30,837
Earnings before interest and taxes (EBIT)	16,569	19,143	33,854	32,378
Earnings before taxes (EBT)	19,959	19,075	33,811	32,591
Segment capital expenditure	21,259	18,224	10,864	8,792
Non-current assets	177,260	173,248	91,737	89,740

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

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

Segment assets comprise assets that contribute to the achievement of operating profit. Depreciation and amortisation of non-current assets relate to intangible assets, property, plant and equipment and right-of-use assets relating to leases.

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

		Asia-Pacific		Total		Reconciliation		Group
	2023	2022	2023	2022	2023	2022	2023	2022
	51,431	48,079	600,025	712,068	0	0	600,025	712,068
	0	0	14,048	18,871	–14,048	–18,871	0	0
	51,431	**48,079**	**614,073**	**730,939**	**–14,048**	**–18,871**	**600,025**	**712,068**
	1,360	2,578	11,667	7,956	–2,080	–1,396	9,588	6,559
	37,150	34,778	325,688	444,147	–13,966	–18,833	311,721	425,314
	4,866	4,730	115,000	113,358	0	0	115,000	113,358
					0	0	22,999	21,490
	1,195	1,616	22,999	21,490	–2,138	–1,481	99,380	115,206
	7,349	6,870	101,517	116,686				
					138	–430	52,914	54,055
	2,353	2,964	52,777	54,485				
	303	1,980	54,073	53,645	-8,835	–445	45,238	53,201
					0	0	36,379	35,966
	4,257	8,950	36,379	35,966				
	20,946	18,979	289,944	281,968	-398	0	289,546	281,968

GERMANY

in € '000	2023	2022
Domestic revenue	93,944	125,067
Non-current assets	92,979	86,889

Revenue generated in the United States totalled €132,000 thousand (previous year: €168,165 thousand) and in the United Kingdom €62,994 thousand (previous year: €65,737 thousand). Non-current assets in the United States totalled €91,737 thousand (previous year: €89,740 thousand) and in the United Kingdom €38,483 thousand (previous year: €39,915 thousand).

NOTES TO GROUP INCOME STATEMENT

[7] REVENUE

Sales revenue is attributable mainly to the sale of semi-finished plastics, pipes and fittings as well as the planning, production and installation of piping systems for aquaculture. There are no contractual take-back obligations from product deliveries. Refunds are made promptly in the form of credit notes to the customer in the event of changes in the transaction price, complaints or other reasons. Delivery and service obligations in the Group result mainly from the order backlog at the end of the year in the amount of €73,542 thousand (previous year: €142,938 thousand). These primarily relate to delivery and service obligations resulting from short-term contracts.

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

In terms of timing, revenue of €589,247 thousand is recognised at a point in time and revenue of €10,778 thousand is recognised over a period of time.

For reasons of practicability, revenue is not categorised by product group, as – in accordance with internal reporting – revenue is also broken down by business line and the product groups are brought together in the respective business lines.

The breakdown of revenue by business line is as follows:

in € '000	2023	2022
Industry	227,456	266,041
Advertising & Building	87,753	111,290
Infrastructure	103,043	122,328
Mobility	77,862	70,622
Others	103,911	141,787
Revenues from external customers	**600,025**	**712,068**

The 15.7 per cent decline in revenue is mainly due to lower sales volumes as well as lower sales prices.

Contract balances

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

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

in € '000	31/12/2023	31/12/2022
Trade receivables	82,991	88,863
Contract assets	392	1,093
Contract liabilities	–517	–502

In 2023, revenue in the amount of €502 thousand, included in contract liabilities as at 1 January 2023, was realised (previous year: €157 thousand). The changes in the balances of contract assets and contract liabilities relate to the addition and completion of projects in the financial year. In the financial year, as in the previous year, no impairments were recognised on contract balances for reasons of materiality.

[8] OWN WORK CAPITALISED AND OTHER INCOME

In the financial year under review, own work capitalised from the development of SAP S4/Hana amounting to €274 thousand was reported for the first time.

Other income includes the following items:

in € '000	2023	2022
Income from foreign currency translation	3,949	3,603
Reversal of provisions/Deferrals and accruals	2,331	787
Income from disposal of property, plant and equipment	689	475
Income from services and commissions	104	200
Income from rental and lease	55	49
Miscellaneous other income	2,186	1,444
	9,313	**6,559**

[9] COST OF MATERIALS

The cost of materials includes the following items:

in € '000	2023	2022
Cost of raw materials, consumables and supplies	308,921	422,787
Cost of purchased services	2,800	2,528
	311,721	**425,314**

The reduction in the cost of materials reflects the decline in revenue and is also the result of lower raw material prices.

[10] STAFF COSTS

Staff costs are composed of the following:

in € '000	2023	2022
Wages and salaries	93,294	91,541
of which from long-term employee benefits	64	84
Expenses relating to social security	19,252	17,391
Expenses relating to pensions	2,455	4,426
	115,000	**113,358**

Staff costs include employment termination indemnities totalling €409 thousand (previous year: €429 thousand).

Expenses relating to social security include defined contribution plans governed by German legislation (statutory pension insurance) totalling €6,065 thousand (previous year: €5,677 thousand).

[11] RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses amounted to €5,891 thousand in the period under review (previous year: €5,944 thousand). Expenses are mainly comprised of staff costs, material costs and depreciation of property, plant and equipment. As in the previous year, in accordance with Note [5], no product-related development costs were capitalised in the financial year under review.

[12] OTHER EXPENSES

Other expenses comprise the following items:

in € '000	2023	2022
Outward freight	24,048	30,796
Other selling expenses	15,013	16,527
Maintenance expenses	18,772	17,246
Other administrative expenses	16,924	15,084
Expenses for packaging material	11,529	14,873
Other operating costs	4,797	8,458
Rental and lease expenses	1,252	1,864
Losses from disposal of assets	427	850
Impairment losses from financial assets	743	1,283
Expenses from foreign currency translation	3,330	4,177
Other	2,544	4,048
	99,380	**115,206**

The year-on-year change is mainly attributable to lower expenses for outward freight, packaging and commissions as well as lower operating costs. Increased administrative costs are also included in this item. In the previous year, other expenses included the revaluation of the earn-out liability in the context of the acquisition of SIMONA PEAK Pipe Systems Limited, amounting to €933 thousand.

[13] NET FINANCE INCOME/COST

in € '000	2023	2022
Finance income	**6,364**	**8,186**
of which income from the measurement of derivative financial instruments	–232	408
of which income from the translation of financing-related monetary balance sheet items	1,489	2,844
of which interest from loans and receivables	564	87
of which other finance income	4,295	4,847
of which from income from equity investments	248	0
Finance cost	**13,819**	**9,518**
of which expenses from the translation of financing-related monetary balance sheet items	8,510	6,069
of which interest expenses from termination benefits	1,916	1,653
of which interest expenses from borrowings and financial liabilities	3,394	1,796
of which depreciation, amortisation and write-downs of financial assets	0	0
Net finance cost/income	**–7,455**	**–1,332**

Income from the measurement of derivative financial instruments includes the positive change in the fair value of the interest rate swap between the conclusion of the contract and the reporting date. Other financial income mainly includes the effect from hyperinflationary accounting in Türkiye, corresponding to €3,652 thousand (previous year: €4,774 thousand).

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

[14] INCOME TAXES

The principal elements of income tax expense are as follows:

in € '000	2023	2022
Current tax		
Current tax expense	13,227	12,637
Adjustments of current tax attributable to previous periods	151	758
Deferred tax		
Origination and reversal of temporary differences	953	2,331
Change in loss carryforwards and tax credits recognised	131	62
Income tax expense reported in Group income statement	**14,461**	**15,788**

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

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

in € '000	2023	2022
Earnings before taxes	**45,238**	**53,201**
Income tax expense at German tax rate of 29.48% (previous year: 29.48%)	13,336	15,684
Adjustments of current tax attributable to previous periods	151	758
Unrecognised deferred tax assets relating to tax losses	727	290
Loss carryforwards used in connection with deferred tax assets not recognised in previous year	0	118
Recognised deferred tax assets relating to tax losses	0	223
Tax effect of non-deductible expenses	2,154	825
Tax rate differences	–3,342	–4,103
Tax rate changes, remeasurement DTA/DTL	–520	–227
Tax-free dividend income	345	76
Other tax-free income	–536	–139
Amount recognised directly in equity without tax effects	0	205
Tax effects of permanent differences	–185	–64
Other tax effects not attributable to the period	–1	–27
Other	2,333	2,169
Income tax expense at effective tax rate of 26.0% (previous year: 24.5%)	**14,461**	**15,788**
Income tax expense reported in Group income statement	**14,461**	**15,788**

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

Deferred taxes

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

KONZERNBILANZ

in € '000	31/12/2023	31/12/2022
Deferred tax assets		
Provisions for pensions	13,881	5,454
Other provisions and liabilities	1,480	796
Liabilities under leases	553	525
Inventories	2,061	1,841
Receivables and other assets	189	513
Loss carryforwards and tax credits	454	585
Property, plant and equipment	798	887
Other items	401	563
	19,817	**11,164**
Deferred tax liabilities		
Goodwill	5,487	5,257
Other intangible assets	4,560	2,453
Right-of-use assets under leases	441	518
Property, plant and equipment	15,758	13,812
Inventories	8,034	8,910
Receivables and other assets	395	541
Other provisions and liabilities	38	126
Other items	1,529	3,840
	36,242	**35,457**
Set-off	–12,778	5,464
Deferred tax assets	**7,039**	**8,976**
Deferred tax liabilities	**–23,464**	**–33,268**
Net balance sheet amount	**–16,425**	**–24,293**

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

in € '000	31/12/2023	31/12/2022
Beginning of the period 1 January	**–24,293**	**2,832**
Income tax expense (previous year: income)	–1,084	–2,393
Amount recognised directly in equity (total comprehensive income)	8,727	–18,948
Currency translation	1,253	472
Effects from hyperinflationary accounting	–1,027	–1,905
Additions from company acquisitions	0	–4,351
End of period 31 December	**–16,425**	**–24,293**

At the end of the reporting period, loss carryforwards amounted to €12,729 thousand (previous year: €10,320 thousand). Deferred tax assets of €454 thousand (previous year: €585 thousand) were recognised on loss carryforwards of €10,519 thousand (previous year: €9,187 thousand). Beyond this, no deferred tax assets were recognised on loss carryforwards, as no future taxable profit is expected to be available for offsetting at the Group companies concerned.

Expiry date of tax loss carryforwards:

in € '000	2023	2022
Between 3 and 20 years	11,852	10,320
Indefinite carryforward	877	0
	12,729	**10,320**

Deferred tax assets of around €64 thousand (previous year: €300 thousand) are expected to be realised in the subsequent financial year.

No deferred taxes were recognised on temporary differences of €7,899 thousand (previous year: €7,705 thousand) between the net assets of Group companies recognised in the consolidated financial statements and the tax base of the interests in these Group companies ("outside basis differences"), as the SIMONA Group is in a position to control the timing of the reversal of temporary differences and does not intend – for an indefinite period – to dispose of investments.

[15] EARNINGS PER SHARE

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

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

in € '000 or units of 1,000	2023	2022
Profit or loss attributable to ordinary equity holders of the parent company	30,506	37,839
Weighted average number of ordinary shares (without treasury shares) to calculate basic earnings per share	6,000	6,000
Weighted average number of ordinary shares (without treasury shares) to calculate diluted earnings per share	6,000	6,000
Basic earnings per share (in €)	5.08	6.31
Diluted earnings per share (in €)	5.08	6.31

[16] PAID AND PROPOSED DIVIDENDS

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

NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

[17] INTANGIBLE ASSETS

31/12/2023

in € ,000	Patents, licences, trademarks and internally generated assets	Customer base	Goodwill	Total
Balance at 1 January 2023 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	11,968	21,413	62,785	96,166
Additions	1,638	0	0	1,638
Transfer	308	0	0	308
Disposals	–3	0	0	–3
Depreciation/amortisation during the financial year	–1,802	–1,677	0	–3,479
Effects of changes in foreign currency exchange rates	–31	110	–1,000	–921

Balance at 1 January 2023 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	**12,079**	**19,846**	**61,785**	**93,710**
Balance at 1 January 2023				
Cost of purchase or conversion	21,968	31,534	63,644	117,146
Accumulated depreciation/ amortisation and impairments	–10,000	–10,122	–859	–20,980
Carrying amount	**11,968**	**21,413**	**62,785**	**96,166**
Balance at 31 December 2023				
Cost of purchase or conversion	23,793	31,361	61,785	116,940
Accumulated depreciation/ amortisation and impairments	–11,715	–11,515	0	–23,230
Carrying amount	**12,079**	**19,846**	**61,785**	**93,710**

The additions to patents, licences, trademarks and internally generated assets include assets under construction amounting to €1,636 thousand and relate to S4/Hana development costs.

The change in exchange rates at SIMONA PLASTECH Levha Sanayi AŞ includes effects from hyperinflationary accounting equivalent to €8,259 thousand (previous year: €11,721 thousand).

Goodwill was as follows:

in € '000	**01/01/ 2023**	**Additions/ disposals**	**Impairment losses**	**Change in foreign exchange rate**	**31/12/ 2023**
SIMONA Boltaron Inc., USA	25,055	0	0	–871	24,185
SIMONA America Industries LLC / Power Boulevard Inc., USA	2,420	0	0	–76	2,344
SIMONA PMC LLC, USA	4,735	0	0	–165	4,570
SIMONA Stadpipe AS, Norway	4,849	0	0	–313	4,535
SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Türkiye	7,985	0	0	60	8,044
SIMONA PEAK Pipe Systems Limited, United Kingdom	17,742	0	0	365	18,107
	62,785	**0**	**0**	**–1,000**	**61,785**

The change in exchange rates at SIMONA PLASTECH Levha Sanayi AŞ includes effects from hyperinflationary accounting equivalent to €3,162 thousand (previous year: €4,320 thousand).

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

31/12/2023

	Residual book value in € '000	**Remaining period of amortisation**
SIMONA PMC, LLC, USA	1,425	9 years
SIMONA Stadpipe AS, Norway	1,105	7 years
SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Türkiye	9,373	23 years
SIMONA PEAK Pipe Systems Limited, United Kingdom	7,895	9 years
Total	**19,846**	

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	Residual book value in € '000	**Remaining period of amortisation**
SIMONA AMERICA Industries LLC/ Power Boulevard Inc., USA	48	1 year
SIMONA PMC, LLC, USA	1,671	10 years
SIMONA Stadpipe AS, Norwegen	1,284	8 years
SIMONA PLASTECH Levha Sanayi Anonim Şirketi,Türkei	9,725	24 years
SIMONA PEAK Pipe Systems Limited, Großbritannien	8,683	10 years
Total	**21,433**	

Impairment of goodwill

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

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

The following sensitivity ranges were assumed as part of the sensitivity analysis: Revenue growth (+/– 2 percentage points), EBITDA margin (+/– 3 percentage points), WACC (+/– 1 percentage point) and growth rate (+/– 0.4 percentage points). The sensitivity analysis is conducted by varying one of the specified parameters under otherwise identical conditions.

SIMONA Boltaron Inc.

The impairment test of CGU SIMONA Boltaron Inc. comprises the entire business unit of SIMONA Boltaron Inc. The following parameters were applicable: four-year forecasting period, revenue growth, EBITDA margin and discount rate. Over the forecasting period, revenue growth is estimated to be steady but lower than in the previous period. The EBITDA margin is assumed to be at a level comparable to the previous year's figures within the sensitivity ranges. The discount rate after taxes is 9.3 per cent (previous year: 10.53 per cent). The applicable growth rate subsequent to the end of the forecasting period is 1.1 per cent (previous year: 1.9 per cent). The sensitivity analysis performed on the basis of the established parameters does not give rise to any impairment of goodwill.

SIMONA PMC LLC

The impairment test of CGU SIMONA PMC LLC comprises the entire business unit of SIMONA PMC LLC. The following parameters were applicable: four-year forecasting period, revenue growth, EBITDA margin and discount rate. Over the forecasting period, revenue growth is initially projected to be stronger than the average revenue growth in previous periods, while a comparable EBITDA margin to the previous year's figures is assumed within the sensitivity range. The discount rate after taxes is 6.55 per cent (previous year: 10.26 per cent). The applicable growth rate subsequent to the end of the forecasting period is 1.1 per cent (previous year: 1.8 per cent). The sensitivity analysis performed on the basis of the established parameters gives rise to an impairment of goodwill of up to €3.5 million.

SIMONA AMERICA Industries LLC / Power Boulevard Inc.

The impairment test of the group of CGUs SIMONA AMERICA Industries LLC/Power Boulevard Inc. comprises the entire business unit of SIMONA AMERICA Industries LLC as well as Power Boulevard Inc. The following parameters were applicable: four-year forecasting period, revenue growth, EBITDA margin and discount rate. Stronger revenue growth is projected over the forecasting period compared to the average revenue growth of previous periods; in addition, a reduced EBITDA margin, but remaining at a consistent level, compared to the previous year's figures is assumed within the sensitivity range. The discount rate after taxes is 8.97 per cent (previous year: 12.32 per cent). The applicable growth rate subsequent to the end of the forecasting period is 1.1 per cent (previous year: 1.9 per cent). The sensitivity analysis performed on the basis of the established parameters does not give rise to any impairment of goodwill.

SIMONA Stadpipe AS

The impairment test of CGU SIMONA Stadpipe AS comprises the entire business unit of SIMONA Stadpipe AS. The following parameters were applicable: four-year forecasting period, revenue growth, EBITDA margin and discount rate. Stronger revenue growth and a higher EBITDA margin compared to the average of previous periods are initially expected over the forecasting period. The discount rate after taxes is 7.65 per cent (previous year: 11.57 per cent). The applicable growth rate subsequent to the end of the forecasting period is 1.2 per cent (previous year: 1.3 per cent). The sensitivity analysis performed on the basis of the established parameters does not give rise to any impairment of goodwill.

SIMONA PLASTECH Levha Sanayi Anonim Şirketi

The impairment test relating to the CGU SIMONA PLASTECH Levha Sanayi Anonim Şirketi includes the entire business unit of SIMONA PLASTECH Levha Sanayi Anonim Şirketi. The following parameters were applicable: four-year forecasting period, revenue growth, EBITDA margin and discount rate. Stronger revenue growth is expected over the forecasting period compared to the average growth of previous periods. The EBIT margin is expected to remain at a consistently high level but is estimated to be lower than the previous year's figure. The discount rate after taxes is 22.74 per cent (previous year: 14.2 per cent). The applicable growth rate subsequent to the end of the forecasting period is 5.4 per cent (previous year: 3.0 per cent). The sensitivity analysis performed on the basis of the established parameters does not give rise to any impairment of goodwill.

SIMONA PEAK Pipe Systems Limited

The impairment test of CGU SIMONA PEAK Pipe Systems Limited includes the entire business unit of SIMONA PEAK Pipe Systems Limited. The following parameters were applicable: four-year forecasting period, revenue growth, EBITDA margin and discount rate. Stronger revenue growth is expected over the forecasting period compared to the average revenue growth of previous periods; in addition, an EBITDA margin comparable to the previous year's figures is assumed within the sensitivity range. The discount rate after taxes is 9.81 per cent (previous year: 11.4 per cent). The applicable growth rate subsequent to the end of the forecasting period is 1.1 per cent (previous year: 1.5 per cent). The sensitivity analysis performed on the basis of the established parameters does not give rise to any impairment of goodwill.

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in € '000	**Patents and licences**	**Customer base**	**Goodwill**	**Total**
Balance at 1 January 2022 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	5,371	9,831	40,254	55,456
Additions	336	0	0	336
Additions from business combinations	5,175	10,056	18,834	34,064
Transfer	1,023	0	0	1,023
Depreciation/amortisation during the financial year	–1,127	–2,039	0	–3,166
Effects of changes in foreign currency exchange rates	1,190	3,565	3,697	8,452
Balance at 31 December 2022 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	**11,967**	**21,413**	**62,785**	**96,165**
Balance at 1 January 2022				
Cost of purchase or conversion	15,312	17,363	41,113	73,788
Accumulated depreciation/amortisation and impairments	–9,940	–7,533	–859	–18,332
Carrying amount	**5,371**	**9,831**	**40,254**	**55,456**
Balance at 31 December 2022				
Cost of purchase or conversion	21,968	31,534	63,643	117,145
Accumulated depreciation/amortisation and impairments	–10,000	–10,121	–859	–20,980
Carrying amount	**11,968**	**21,413**	**62,785**	**96,166**

[18] PROPERTY, PLANT AND EQUIPMENT

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in € '000	Land and buildings	Plant, machinery and equipment	Prepayments and assets under construction	Total
Balance at 1 January 2023 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	45,523	98,991	32,287	176,801
Additions	4,214	7,601	20,913	32,729
Transfer	2,801	11,281	–14,292	–210
Disposals	0	–587	–101	–688
Depreciation/amortisation during the financial year	–2,576	–15,070	0	–17,645
Transfer depreciation/amortisation	0	–22	0	–22
Effects of changes in foreign currency exchange rates	–675	–1,161	–987	–2,824
Balance at 31 December 2023 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	**49,287**	**101,033**	**37,821**	**188,140**
Balance at 1 January 2023				
Cost of purchase or conversion	97,836	325,745	32,287	455,868
Accumulated depreciation/amortisation and impairments	–52,313	–226,754	0	–279,067
Carrying amount	**45,523**	**98,991**	**32,287**	**176,801**
Balance at 31 December 2023				
Cost of purchase or conversion	103,715	336,506	37,821	478,042
Accumulated depreciation/amortisation and impairments	–54,428	–235,474	0	–289,902
Carrying amount	**49,287**	**101,033**	**37,821**	**188,140**

The change in exchange rates at SIMONA PLASTECH Levha Sanayi AŞ includes effects from hyperinflationary accounting equivalent to €865 thousand (previous year: €922 thousand).

The prepayments of €12,127 thousand (previous year: €14,871 thousand) and the assets under construction of €25,694 thousand (previous year: €17,416 thousand) relate primarily to the expansion of the production facility in China as well as investments at the sites in Germany.

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in € '000	Land and buildings	Plant, machinery and equipment	Prepayments and assets under construction	Total
Balance at 1 January 2022 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	44,314	89,536	21,091	154,941
Additions	1,521	7,757	24,960	34,238
Transfer	0	3,412	0	3,412
Disposals	1,219	11,742	–13,984	–1,023
Depreciation/amortisation during the financial year	0	-1,270	0	–1,270
Transfer depreciation/amortisation	–2,523	–14,618	0	–17,141
Effects of changes in foreign currency exchange rates	992	2,432	220	3,645
Balance at 31 December 2022 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	**45,523**	**98,991**	**32,287**	**176,801**
Balance at 1 January 2022				
Cost of purchase or conversion	93,897	308,471	21,091	423,458
Accumulated depreciation/amortisation and impairments	–49,583	–218,935	0	–268,518
Carrying amount	**44,314**	**89,536**	**21,091**	**154,941**
Balance at 31 December 2022				
Cost of purchase or conversion	97,836	325,745	32,287	455,868
Accumulated depreciation/amortisation and impairments	–52,313	–226,754	0	–279,067
Carrying amount	**45,523**	**98,991**	**32,287**	**176,801**

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

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

[19] LEASES

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

in € '000	31/12/2023	31/12/2022
Land and buildings	6,682	7,277
Technical equipment	1,007	1,296
Operating and office equipment	7	20
	7,696	**8,593**

in € '000	31/12/2023	31/12/2022
Current liabilities under leases	1,533	1,497
Non-current liabilities under leases	6,222	7,159
	7,754	**8,656**

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in € '000	Up to 1 year	1 to 5 years	More than 5 years	Total
Future lease payments	1,675	3,108	4,085	8,868
Discounting	142	337	635	1,114
Present value	**1,533**	**2,771**	**3,450**	**7,754**

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in € '000	Up to 1 year	1 to 5 years	More than 5 years	Total
Future lease payments	1,606	3,308	4,399	9,313
Discounting	106	527	1,933	2,566
Present value	**1,500**	**2,781**	**2,466**	**6,747**

The conclusion of new lease agreements led to additions to right-of-use assets amounting to €1,782 thousand in the financial year under review (previous year: €1,347 thousand).

The income statement shows the following amounts related to leases:

Depreciation of right-of-use assets

in € '000	2023	2022
Land and buildings	962	887
Technical equipment	1,030	641
Operating and office equipment	13	16
Total	**2,005**	**1,544**

Expenses from leases

in € '000	2023	2022
Interest expense from liabilities under leases	133	95
Expense relating to short-term leases	201	358
Expense relating to leases of low-value assets	1,064	1,506
Expense relating to variable lease payments	1,049	0
Total	**2,446**	**1,959**

In the period under review, cash outflows from leases amounted to €4,130 thousand (previous year: €3,519 thousand).

The Group's leasing activities

A lease for a technical wind turbine was recognised for the first time in the financial year under review. This results in expenses from variable lease payments.

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

There are currently no plans to exercise call options; extension options are included in the calculation of the present value to the extent that they are to be exercised with sufficient certainty. Lease incentives, residual value guarantees and penalty payments are currently not part of the lease arrangements.

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

[20] INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

This item includes the investment carrying amount in respect of CARTIERWILSON, LLC, an entity accounted for as an associate, which sells products of the US subsidiaries in the United States on a commission/agency basis in its capacity as a sales representative, equivalent to €731 thousand (previous year: €1,076 thousand). The net result from investments accounted for using the equity method was -€221 thousand (previous year: €477 thousand) in total.

[21] INVENTORIES

in € '000	31/12/2023	31/12/2022
Raw materials and consumables used	55,280	60,242
Work in progress	2,110	1,899
Finished goods and merchandise	74,141	81,455
Prepayment for inventories	1,243	844
	132,774	**144,439**

The amount relating to inventory impairments recognised in cost of material rose by €2,206 thousand to €14,033 thousand in the period under review;

[22] TRADE RECEIVABLES

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

in € '000	31/12/2023	31/12/2022
Gross carrying amount	**85,731**	**91,640**
Of which past due within the following time ranges		
Not overdue	69,101	72,443
up to 30 days	10,357	14,006
between 31 and 60 days	4,387	2,844
between 61 and 90 days	518	462
more than 91 days	1,368	1,884

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

in € '000	2023	2022
1 January	2,777	2,476
Exchange differences	–50	27
Additions to impairments in the financial year	439	710
Written off as uncollectible	–285	–351
Impairments not used and reversed	–141	–85
31 December	**2,740**	**2,777**
Net carrying amount	**82,991**	**88,863**

EXPECTED LOSS RATES

in per cent	31/12/2023	31/12/2022
Country risks	0.0–100.0	0.0 - 100.0
Industry risks	1.5–4.0	1.5 - 4.0

The loss rate of 100.0 per cent relates to Belarus.

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

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

in € '000	2023	2022
Expenses attributable to the derecognition of trade receivables	594	573
Income attributable to amounts received in connection with derecognised trade receivables	59	45

[23] OTHER ASSETS AND TAX ASSETS

in € '000	31/12/2023	31/12/2022
Receivables from value-added tax	2,719	2,823
Prepayments	1,006	1,939
Advance payments for future periods	2,037	1,080
Receivables from energy tax	1,071	1,179
Contract assets	392	1,093
Bonus entitlements	1,066	1,895
Receivables from pension schemes	4,090	3,506
Other receivables	1,794	2,436
	14,174	**15,950**

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

Tax assets amount to €8,937 thousand (previous year: €13,520 thousand) and are attributable primarily to the EMEA and Americas segments.

[24] CASH AND CASH EQUIVALENTS

in € '000	31/12/2023	31/12/2022
Bank balances and cash on hand	74,244	65,716
	74,244	**65,716**

Bank balances bear interest on the basis of floating interest rates applicable to deposits payable on demand. No restraints on use are known apart from the local statutory restrictions applicable to the subsidiaries in China. At the end of the reporting period cash attributable to the Chinese entities amounted to €2,158 thousand (previous year: €1,760 thousand).

At the end of the year, the Group had undrawn borrowing facilities of €50,639 thousand (previous year: €46,744 thousand).

[25] EQUITY

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

Issued capital

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

in € '000	31/12/2023	31/12/2022
Share capital	15,500	15,500
Issued capital	**15,500**	**15,500**

Capital reserves

in € '000	31/12/2023	31/12/2022
Share premium from the issuance of stock	15,274	15,274
Allocation plan assets treasury shares	25,353	25,353
Capital reserves	**40,627**	**40,627**

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

Revenue reserves

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

The financial liability from the acquisition of SIMONA Stadpipe AS was measured at €3,157 thousand at the end of the financial year (previous year: €7,433 thousand). The financial liability relating to the acquisition of SIMONA PLASTECH Levha Sanayi Anonim Şirketi was measured at €10,822 thousand at the end of the reporting period.

Other reserves

in € '000	31/12/2023	31/12/2022
Currency translation effects	–2,171	8,455
Other reserves	**–2,171**	**8,455**

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

in € '000	31/12/2023	31/12/2022
Exchange differences relating to currency translation financial statements of subsidiaries	–10,498	526
Exchange differences relating to currency translation net investments	–240	810
Other changes	–1	572
Exchange differences relating to currency translation	**–10,739**	**1,908**
Deferred taxes from currency translation	113	–34
Exchange differences	**–10,626**	**1,875**

Treasury shares

As in the previous financial year, no treasury shares existed at the end of the financial year under review. Please refer to the Group Statement of Changes in Equity.

Non-controlling interests

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

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

The non-controlling interests correspond to the applicable voting rights and amount to 49.00 per cent. Revenue generated by this entity amounted to €5,522 thousand in the period under review (previous year: €6,383 thousand). The total payment made in the financial year under review amounted to €260 thousand (previous year: €105 thousand). Total assets of the company amount to €2,659 thousand and consist mainly of current assets (€2,555 thousand). The liabilities are predominantly current (€550 thousand). The profit for the period and total comprehensive income amounted to €567 thousand in the reporting year (previous year: €870 thousand). The accumulated equity share of non-controlling shareholders was €1,024 thousand at the end of the year (previous year: €920 thousand).

SIMONA Stadpipe AS, Stadlandet, Norway

The non-controlling interests correspond to the applicable voting rights and amount to 25.07 per cent. Revenue generated by this entity amounted to €10,778 thousand in the period under review (previous year: €18,655 thousand). The total payout made in the financial year under review amounted to €0 thousand (previous year: €74 thousand). The balance sheet total of the company amounts to €11,506 thousand and consists of current assets (€4,199 thousand) and non-current assets (€7,308 thousand) as well as current liabilities (€3,784 thousand) and non-current liabilities (€1,804 thousand). The profit for the period and total comprehensive income amounted to -€1,820 thousand in the reporting year (previous year: -€105 thousand). The accumulated equity share of non-controlling shareholders was €1,484 thousand at the end of the year (previous year: €2,082 thousand).

SIMONA PLASTECH Levha Sanayi Anonim Şirketim, Düzce, Türkiye

The non-controlling interests correspond to the applicable voting rights and amount to 30.00 per cent. Revenue generated by this entity amounted to €30,430 thousand in the period under review (previous year: €38,144 thousand). No distributions were made in the financial year. The balance sheet total of the company amounts to €37,597 thousand and consists of non-current assets (€25,045 thousand) and current assets (€12,552 thousand) as well as current liabilities (€14,155 thousand) and non-current liabilities (€3,888 thousand). The profit for the period and total comprehensive income amounted to €1,499 thousand in the reporting year (previous year: €2,932 thousand). The accumulated equity share of non-controlling shareholders was €5,311 thousand at the end of the year (previous year: €4,836 thousand).

[26] FINANCIAL LIABILITIES

Financial liabilities are comprised of the following items:

in € '000	Due date	31/12/2023	31/12/2022
Non-current financial liabilities			
Pro-rata bank loan of €71,229 thousand (nominal amount), (principal repayments due after 31/12/2024)	2025–2029	26,601	36,358
		26,601	**36,358**
Current financial liabilities			
Pro-rata bank loan of €71,229 thousand (nominal amount), (principal repayments due up to 31/12/2024)	01/2024–12/2024	32,199	32,592
		32,199	**32,592**

As regards loans from banks in respect of KfW funds, amounting to €1.6 million, fixed interest rates of between 1.0 per cent and 1.6 per cent have been agreed. Interest is computed either on the basis of the nominal amount of the loan or the remaining amount of the loan.

Long-term bank financing for the acquisition of PEAK with a term of five to seven years was taken out in August 2022. Of this amount, €11.25 million is subject to fixed interest rates and €33.75 million to variable interest rates based on the three-month EURIBOR plus the contractually agreed margin. A partial amount of the variable portion of €11.25 million has been hedged with an interest rate swap. The interest and the repayment are due on a quarterly basis. The loans are unsecured in each case. As part of a negative pledge, SIMONA AG undertakes not to provide security to lenders for similar loans without a pari passu interest in such collateral.

Current financial liabilities include money market loans of SIMONA AG totalling €20.0 million with terms of up to three months. The applicable interest rate was variable, calculated on the basis of three-month EURIBOR.

In addition, SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Türkiye, has a variable-interest credit line with a nominal value of €5.0 million. The credit line had not been utilised as at the end of the reporting period. Collateral is provided in the form of a payment guarantee issued by SIMONA AG.

The aforementioned loans are measured at amortised cost.

Other financial liabilities comprise the following items:

in € '000	Due date	31/12/2023	31/12/2022
Non-current other financial liabilities			
Put/call options from company acquisitions	until 2028	13,980	7,433
Other	until 2026	1,198	3,686
		15,177	**11,119**
Current other financial liabilities			
Accounts receivable with credit balances	Immediately	1,748	2,818
Other	Immediately	3,032	0
		4,780	**2,818**

Accounting for put and call options from company acquisitions

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

In this context, both parties have the right to acquire/dispose of the 25.07 per cent of interests in the entity held by the seller. This right can be exercised on two pre-agreed dates in the future. Accordingly, a synthetic liability was recognised for the put option in accordance with IAS 32.23, the value of which is determined on the basis of the contractual parameters using mathematical methods. In accordance with IAS 32.23, this was reclassified accordingly from equity at the time of addition; non-controlling interests continue to be presented accordingly. The effect of subsequent measurement amounts to €3,157 thousand (previous year: €7,433 thousand) and is recognised directly in equity in accordance with IFRS 10.23.

As part of the acquisition of SIMONA PLASTECH Levha Sanayi Anonim Şirketi in the 2021 financial year, the seller granted the buyer SIMONA AG a contractual right to purchase; correspondingly, SIMONA AG granted the seller a contractual right to sell. As these two rights are not separable, they were both included in the valuation of the liability.

In this context, both parties have the right to acquire/dispose of the 30.00 per cent of interests in the entity held by the seller. This right can be exercised on two pre-agreed dates in the future. Accordingly, a synthetic liability was recognised for the put option in accordance with IAS 32.23, the value of which is determined on the basis of the contractual parameters using mathematical methods. In accordance with IAS 32.23, this was reclassified accordingly from equity at the time of addition; non-controlling interests continue to be presented accordingly. The value of the put option totalled €10,822 thousand at the end of the financial year. The effects of subsequent measurement are recognised directly in equity in accordance with IFRS 10.23.

Treatment of earn-out clause

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

[27] PENSIONS

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

No minimum funding requirement or limit on the measurement of an asset has been set. Tax regulations regarding the permissible contributions and the permissible cash assets of the benefit fund (so-called “Unterstützungskasse”) must be observed.

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

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

The underlying expert opinions were prepared on 8 January 2024.

With the exception of payments to SIMONA Sozialwerk GmbH (“Unterstützungskasse” – benefit fund), no contributions are made to funds, cf. Note [28].

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

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

in € '000	2023	2022
DBO at beginning of reporting period	42,909	63,910
Service cost	661	1,068
Interest cost	1,588	760
Remeasurement actuarial gains/losses	5,881	–20,775
due to changes in financial assumptions	3,773	–20,573
due to changes in the entitlement base	2,074	–233
due to other changes in value	34	31
Benefits paid	–1,932	–1,817
Employer contribution	–238	–238
DBO at end of reporting period	**48,870**	**42,909**
of which non-current liability	46,711	40,964
of which current liability	2,159	1,945

The Group anticipates benefit payments of €2,159 thousand (previous year: €1,945 thousand) in connection with defined benefit pension plans for the 2024 financial year.

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

Parameters	31/12/2023	31/12/2022
Discount rate	3.22 %	3.80 %
Salary increase	2.50 %	2.50 %
Pension increases	2.00 %	2.00 %
Mortality (mortality tables published by Prof. Dr. K. Heubeck)	2018 G	2018 G

A change of half a percentage point each in the above-mentioned basic assumptions used for the purpose of determining the DBO as at 31 December 2023 would increase or decrease the DBO as outlined below. This was determined on the basis of the projected unit credit method as well as the parameters mentioned:

	Change in DBO if parameters are changed by half a percentage point as at 31 December 2023 in € '000 (previous year)	
Parameters	**Increase**	**Decrease**
Discount rate	–3,282 (–2,837)	3,690 (3,184)
Salary increase	358 (331)	–339 (–313)
Pension increase	2,992 (2,550)	–2,730 (–2,331)

The decline in mortality rates by 10 per cent results in an increase in life expectancy dependent on the individual ages of each participant. The DBO at the end of the reporting period would increase by €1,606 thousand (previous year: €1,313 thousand) following a reduction in the mortality rate by 10 per cent and would decrease by –€1,430 thousand (previous year: –€1,175 thousand) following a 10 per cent increase in the mortality rate.

The weighted average duration of the DBO attributable to defined benefit pension plans is 14.1 years (previous year: 14.0 years).

As regards the internal multifinanced defined contribution plan, the total expense for SIMONA AG was €55 thousand (previous year: €51 thousand) in the period under review.

[28] COMPANY WELFARE INSTITUTIONS

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

The assets of SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH may be utilised solely for benefit-related purposes relating to SIMONA Sozialwerk GmbH. The company's assets include 10 per cent (600,000 shares) of the shares in SIMONA AG. SIMONA AG's interest in the company amounts to 50 per cent and has been pledged to SIMONA Sozialwerk GmbH. Thus, in the event that SIMONA AG becomes insolvent, the creditors identified in connection with insolvency have no rights in respect of the assets of SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH.

The plans concluded by SIMONA Sozialwerk GmbH are pension plans on a final salary basis in the case of both personnel covered by collective wage agreements and managerial staff, unless they have an individual direct pension commitment. The defined benefit plans are associated in particular with risks in respect of longevity, inflation and salary increases. These relate to benefits primarily in respect of retirement and, to a lesser extent, in respect of disability and surviving dependants. Benefits are only granted if the pensionable period of service (vesting period) has been fulfilled.

Funding of SIMONA Sozialwerk GmbH as a benefit fund ("Unterstützungskasse") is performed in observance of tax regulations.

in € '000	**2023**	**2022**
DBO at beginning of reporting period	67,889	106,427
Service cost	1,621	3,073
Interest cost	2,541	1,276
Remeasurement actuarial gains/losses	9,370	–41,202
due to changes in financial assumptions	7,461	–41,957
due to changes in demographic assumptions	0	0
due to changes in the entitlement base	1,910	755
Benefits paid	–1,792	–1,685
DBO at end of reporting period	**79,630**	**67,889**
Fair value of plan assets at the beginning of the year	61,512	34,737
Returns on plan assets	2,303	410
Allocation plan assets	0	25,950
Remeasurement on plan assets	–13,929	2,100
Benefits paid	–1,792	–1,685
Fair value of plan assets at the end of the year	48,094	61,512
Deficit	**–31,536**	**–6,377**

The Group anticipates benefit payments of €2,168 thousand (previous year: €1,892 thousand) in connection with indirect defined benefit pension plans for the 2024 financial year.

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

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

The change in the deficit as at 31 December 2023 is attributable primarily to the increase in the DBO and the remeasurement of plan assets.

A change of half a percentage point each in the above-mentioned basic assumptions used for the purpose of determining the DBO as at 31 December 2023 would increase or decrease the DBO as follows (cf. also Note [27]):

	Change in DBO if parameters are changed by half a percentage point as at 31 December 2023 in € ,000 (previous year)	
Parameters	**Increase**	**Decrease**
Discount rate	–6,498 (–5,428)	7,427 (6,189)
Salary increase	1,906 (1,658)	–1,767 (–1,538)
Pension increase	5,029 (4,143)	–4,598 (–3,795)

The decline in mortality rates by 10 per cent results in an increase in life expectancy dependent on the individual ages of each participant. The DBO at the end of the reporting period would increase by €2,570 thousand (previous year: €2,055 thousand) following a reduction in the mortality rate by 10 per cent and would decrease by -€2,304 thousand (previous year: -€1,852 thousand) following a 10 per cent increase in the mortality rate.

The composition of plan assets is presented below:

PLAN ASSETS:

in € ’000	31/12/2023	31/12/2022
Category of assets		
Shares in SIMONA AG	39,000	51,900
Time deposits	3,016	2,954
Investment funds	5,238	5,096
Cash and cash equivalents	840	1,562
Total plan assets	**48,094**	**61,512**

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

The weighted average duration of the DBO relating to defined benefit pension plans of SIMONA Sozialwerk GmbH is 17.6 years (previous year: 17.3 years).

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

in € ’000	31/12/2023	31/12/2022
Liability at beginning of reporting period	6,377	71,690
Service cost	1,621	3,073
Net interest expense	238	866
Remeasurement actuarial gains/losses	9,371	–41,202
due to changes in financial assumptions	7,461	–41,957
due to changes in the entitlement base	1,910	755
Remeasurement from plan assets	–13,929	2,100
Allocation plan assets	0	25,950
Liability at end of reporting period	**31,536**	**6,377**

[29] OTHER PROVISIONS

in € ’000	Personnel-related obligations	Guarantees/warranties	Other	Total
Balance at 1 January 2023	**2,472**	**4,747**	**306**	**7,524**
Allocated	797	517	663	1,978
Used	589	160	911	1,660
Reversed	0	949	6	955
Exchange differences	0	–25	–10	–34
Effect of time value of money	114	–196	0	–82
Balance at 31 December 2023	**2,795**	**3,934**	**42**	**6,771**
Current provisions	1,196	1,636	–55	2,778
Non-current provisions	1,598	2,298	97	3,993
Balance at 31 December 2023	**2,795**	**3,934**	**42**	**6,771**

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

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

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

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

[30] OTHER LIABILITIES

Other liabilities comprise the following items:

in € '000	31/12/2023	31/12/2022
Payables to workforce	10,803	11,879
Payables relating to social security	2,128	2,018
Liabilities relating to credit notes and commissions	941	1,015
Tax payables	911	1,808
Liabilities from contracts with customers	517	502
Other provisions	3,995	4,762
Other	2,080	1,790
	21,375	**23,773**

The item “Other provisions” mainly includes deferrals/accruals for outstanding invoices, while the item “Other” mainly includes advance payments received.

[31] STATEMENT OF CASH FLOWS

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

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

in € '000	31/12/2023	31/12/2022
Cash and cash equivalents	74,244	65,716
	74,244	**65,716**

The effects of changes to cash and cash equivalents attributable to exchange rates were -€1,255 thousand (previous year: €265 thousand) at Group level.

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

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

As at 1 January, financial liabilities amounted to €68,951 thousand. Bank loans relating to the financing of the PEAK acquisition were repaid as scheduled in the reporting year in the amount of €8,177 thousand. In addition, a credit line with a foreign bank was repaid in the amount of €3,990 thousand. As in the previous year, the scheduled repayment of KfW loans totalled €3,425 thousand. The net balance of borrowings and repayments of short-term money market loans amounts to €3,000 thousand, the utilisation of overdraft facilities totals €2,095 thousand and other changes amount to €347 thousand. As at 31 December, financial liabilities amounted to €58,801 thousand.

The changes in liabilities from leases are as follows:

As at 1 January, lease liabilities amounted to €8,656 thousand. In the current financial year, €1,343 thousand was repaid and other changes totalled €441 thousand. As at 31 December, lease liabilities amounted to €7,754 thousand.

[32] RELATED-PARTY DISCLOSURES

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

Management Board

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

Supervisory Board

- Dr. Ing. Klaus F. Erkes, Überlingen
  - Diplom-Wirtschaftsingenieur
  - Chairman of the Supervisory Board
  - Member of the Supervisory Board of Semperit AG, Vienna
  - Member of the Supervisory Board of Präzi-Flachstahl AG, Everswinkel
  - Member of the Advisory Board of Karl Mayer Stoll Textilmaschinenfabrik GmbH, Obertshausen
  - Member of the Advisory Board of Karl Mayer Holding GmbH & Co. KG, Obertshausen
  - 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. Roland Reber, Stuttgart
  - Deputy Chairman of the Supervisory Board
  - Managing Director of Ensinger GmbH, Nufringen
- Roland Frobel, Isernhagen,
  - Tax Consultant
  - Chairman of the Supervisory Board of Hannover 96 GmbH & Co. KGaA, Hannover
  - Member of the Supervisory Board of GBK Beteiligungen AG, Hannover
- Martin Bücher, Biberach
  - Chairman of the Executive Board of Kreissparkasse Biberach, Biberach
  - Deputy Supervisory Board Member of BW Bank
  - Deputy Chairman of the Supervisory Board of Öchsle Bahn AG (since 1 December 2023)
- Andy Hohlreiter, Becherbach
  - Employee Representative
- Markus Stein, Mittelreidenbach
  - Employee Representative

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

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

- Dr. Jochen Hauck performs supervisory duties within the following companies of the SIMONA Group:
  - SIMONA UK Ltd., Stafford, United Kingdom (in liquidation)
  - 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

Dr. Roland Reber, member of the Supervisory Board of SIMONA AG, is also the Managing Director of Ensinger GmbH; Nufringen. In the financial year under review, product sales amounting to €6,872 thousand (previous year: €5,746 thousand) were transacted between SIMONA AG and the entities of the Ensinger Group.

Beyond this, companies of the SIMONA Group entered into no significant transactions with members of the Management Board or the Supervisory Board of SIMONA AG and/or entities to which these persons have been appointed in an executive or supervisory capacity. This also applies to close family members of the aforementioned persons.

Receivables from related parties relate to trade receivables of SIMONA AG from the Ensinger Group totalling €727 thousand (previous year: €747 thousand).

Payables to related parties consist of compensation to Supervisory Board members of SIMONA AG and amount to €175 thousand in the period under review (previous year: €176 thousand).

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

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

Business relationships exist with associates on a commission/agency basis in respect of the sale of products in the United States; this business totals €3,734 thousand (previous year: €5,005 thousand). These are accounted for in other expenses as sales commission. At the end of the reporting period, receivables from associated companies amounted to €4,090 thousand (previous year: €3,879 thousand).

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

Compensation of members of the Management Board and Supervisory Board

MANAGEMENT BOARD COMPENSATION ACCORDING TO IAS 24.17:

in € ’000	2023	2022
Short-term benefits		
Fixed salary and fringe benefits	1,167	975
Annual bonus	650	783
	1,817	**1,758**
Other long-term benefits	601	1,303
Total compensation	**2,418**	**3,061**

The variable component of Management Board compensation is based on earnings performance within the Group and a long-term incentive programme. As regards the performance periods 2021 to 2023, average Group NOPAT (net operating profit after tax) is used as the key performance indicator, calculated on the basis of a three-year performance period. The first performance period encompasses the financial years 2021 to 2023, the second performance period comprises the financial years 2022 to 2024 and the third performance period covers the financial years from 2023 to 2025. Variable Management Board compensation also includes an ESG bonus with a three-year assessment period. Payment occurs subsequent to the adoption of the consolidated financial statements for the final year of the respective performance period. Members of the Management Board do not receive grants in respect of state-managed defined contribution plans, nor do they receive share-based payments or loans. Due to a conversion to reinsured defined contribution plans for active members of the Management Board, pension obligations in respect of these members amount to €799 thousand (previous year: €600 thousand), which were offset against plan assets in the same amount. Expenses of €192 thousand (previous year: €192 thousand) were recognised for these commitments under other long-term benefits.

Full allocations have been made to pension provisions for former members of the Management Board and their surviving dependants. At the end of the reporting period, these amounted to €12,768 thousand (previous year: €10,868 thousand).

Compensation of former Management Board members and their surviving dependants amounted to €494 thousand (previous year: €493 thousand).

Supervisory Board compensation for the financial year under review amounted to €321 thousand (previous year: €326 thousand). Supervisory Board compensation encompasses no variable components. Alongside their Supervisory Board compensation, staff representatives appointed to the Supervisory Board received remuneration in the form of wages and salaries during the financial year under review, which included retirement benefit obligations in the generally applicable amount in respect of work performed for the company. The company does not grant share-based payments or loans to members of the Supervisory Board.

Total compensation (fixed salary and variable compensation components) in respect of the Global Management Team in the financial year amounts to €4,211 thousand (previous year: €5,230 thousand). This includes variable compensation components of €2,541 thousand (previous year: €3,485 thousand). At the end of the reporting period, bonus-related provisions amounted to €1,709 thousand (previous year: €1,928 thousand) in respect of the Global Management Team. Total compensation for the members of the Global Management Team (including the Management Board) and the Supervisory Board amounted to €4,532 thousand (previous year: €5,556 thousand).

Ownership interests

Based on voting rights notifications published in accordance with Section 33(1) WpHG and Section 21(1) WpHG (old version) in May 2023, the shareholders Dr. Wolfgang und Anita Bürkle Stiftung, Dirk Möller, Regine Tegtmeyer and other individuals have formed a pool of shares with a total voting interest, i.e. voting power, of 54.14 per cent in SIMONA Aktiengesellschaft. Thus, the shareholders Dr. Wolfgang and Anita Bürkle Stiftung, Dirk Möller and Regine Tegtmeyer together represent the ultimate controlling interest. SIMONA Aktiengesellschaft has no business relations with the shareholders concerned.

[33] FINANCIAL RISK MANAGEMENT

Principles and objectives of financial risk management

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

The principal aim of 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 instruments.

Currency risks

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

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

IFRS 7 requires entities to present risk on the basis of sensitivity analyses. These analyses show how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at the end of the reporting date. Exchange rate movements may occur in the case of primary financial instruments that are beyond the hedged parameters or that are hedged by means of financial derivatives in the form of forward foreign exchange transactions or currency options.

If, as at 31 December 2023, the euro had appreciated (depreciated) by 10 per cent against all other currencies, earnings before taxes would have been €4,714 thousand lower (€5,762 thousand higher). The hypothetical effect on profit is attributable to the following sensitivity of exchange rates:

in € '000	Effect on profit before taxes	
EUR/USD	–788	(963)
EUR/GBP	–73	(89)
EUR/CHF	–415	(507)
EUR/CZK	687	(–840)
EUR/PLN	–20	(24)
EUR/HKD	–872	(1,066)
EUR/CNY	–2,083	(2,545)
EUR/SGD	7	(–9)
EUR/NOK	–160	(196)
EUR/INR	–225	(275)
EUR/JPY	–4	(5)
EUR/TRY	–771	(942)
	–4,714	**(5,762)**

If, as at 31 December 2022, the euro had appreciated (depreciated) by 10 per cent against all other currencies, earnings before taxes would have been €4,479 thousand lower (€5,474 thousand higher). The hypothetical effect on profit is attributable to the following sensitivity of exchange rates:

in € '000	Effect on profit before taxes	
EUR/USD	–808	(987)
EUR/GBP	–18	(22)
EUR/CHF	–376	(460)
EUR/CZK	829	(–1,013)
EUR/PLN	–98	(119)
EUR/HKD	–829	(1,014)
EUR/CNY	–1,547	(1,890)
EUR/RUB	–12	(14)
EUR/SGD	39	(–48)
EUR/NOK	–196	(239)
EUR/INR	–351	(429)
EUR/JPY	–4	(5)
EUR/TRY	–1,109	(1,356)
EUR/SEK	1	(–1)
	–4,479	**(5,474)**

Interest-rate risk

In accordance with IFRS 7, interest-rate risks are addressed in the form of sensitivity analyses. These present the effects of changes in market interest rates on interest income, interest expense and items in the statement of financial position. Financial instruments that are generally subject to interest rate risk relate to the short-term overdraft facilities utilised at the end of the reporting year, the portions of variable-rate bank loans and an interest rate swap. The interest rate risk (interest rate change +/– 1.5 percentage points) related to the variable-interest portion of acquisition financing, after taking into account economic hedging by means of the interest rate swap, amounts to approximately –/+ €285 thousand (EBT before taxes).

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

In the context of financing in respect of the acquisition of SIMONA PEAK Pipe Systems Limited, an interest rate swap was entered into, which limits the interest rate risk to a fixed rate of 2.2 per cent (see Note 35).

Default risks

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

Impairment of financial assets

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

Customer receivables exposed to a probable default risk are regularly monitored and the associated default risk is accounted for by impairment losses. The basis for determining impairment is primarily assumptions about the customer's country and industry risk, overdue receivables (more than 90 days) and available information about payment-related difficulties in individual cases. The country or sector risk is determined on the basis of the available S&P country ratings or historical S&P default data for sectors. The maximum potential credit risk is limited to the net carrying amount (less value-added tax) of the financial assets. The default risks mainly relate to impaired customer receivables in the Europe segment amounting to €2,197 thousand (previous year: €2,238 thousand).

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

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

Liquidity risk

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

Alongside cash and cash equivalents amounting to €74.2 million (previous year: €65.7 million), the SIMONA Group has undrawn borrowing facilities of €50.6 million (previous year: €46.7 million). The Group's objective is to maintain a well-judged balance between ongoing coverage of cash requirements and sustained flexibility through the utilisation of borrowing facilities and loans.

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

EMITTENTENRATING ZAHLUNGSMITTEL

in € '000	**31/12/2023**	**31/12/2022**
A1	1,298	929
Aa3	6,259	18,547
Baa1	14,725	14,715
No rating	51,962	31,525
	74,244	**65,716**

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

in € '000	Up to 1 year	2–5 years	More than 5 years	Total
Financial liabilities	32,199	25,114	1,487	58,800
Liabilities under leases	1,533	1,985	4,237	7,754
Other financial liabilities	4,780	15,178	0	19,958
Trade payables	27,333	0	0	27,333
Financial liabilities 31/12/2023	**65,845**	**42,277**	**5,724**	**113,845**

in € '000	Up to 1 year	2–5 years	More than 5 years	Total
Financial liabilities	32,592	32,770	3,589	68,951
Liabilities under leases	1,497	3,046	4,113	8,656
Other financial liabilities	2,818	11,120	0	13,938
Trade payables	32,635	0	0	32,635
Financial liabilities 31/12/2022	**69,541**	**46,936**	**7,702**	**124,180**

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

Capital management

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

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

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

The equity ratio as at 31 December 2023 was 59 per cent (previous year: 61 per cent) and is calculated as follows:

in € '000	31/12/2023	31/12/2022
Issued capital	15,500	15,500
Capital reserves	40,627	40,627
Revenue reserves	300,161	304,093
Other reserves	-2,171	8,455
Treasury shares	0	0
Non-controlling interests	7,818	7,730
Group equity	361,936	376,405
Total assets	611,171	621,093
Equity ratio	**59 %**	**61 %**

The debt-to-equity ratio was 62 per cent (previous year: 56 per cent) and is calculated as follows:

in € '000	31/12/2023	31/12/2022
Provisions for pensions	80,571	49,473
Financial liabilities	58,801	68,951
Trade payables	27,333	32,635
Income tax liabilities	3,209	6,472
Liabilities under leases	7,754	8,656
Other provisions	6,771	7,524
Other financial liabilities	18,760	12,969
Other liabilities	22,573	24,740
Debt	225,770	211,420
Equity	361,936	376,405
Debt-to-equity ratio	**62 %**	**56 %**

PART OF THE FUTURE

[34] FINANCIAL INSTRUMENTS

The following table presents the carrying amounts of all financial instruments recognised by the Group. The non-current financial assets classified as “AC – Amortised Cost” are interests in affiliated companies that are valued at acquisition cost for the purpose of simplification. No active market exists for these instruments and the fair value cannot be otherwise reliably determined. These interests are measured at cost of purchase. There are no plans to dispose of interests in the near future. With the exception of the interest rate swap, the aforementioned financial instruments in respect of assets predominantly have short residual terms to maturity. Therefore, their carrying amounts at the reporting date approximate their fair values. The cash and cash equivalents held as “AC – Amortised Cost” include time deposits with a maximum term of three months.

The following table presents the net gains and losses from subsequent measurement of financial instruments recognised in the statement of financial position, listed according to the respective measurement categories.

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

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

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

NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

in € ’000	Interest	Fair Value	Currency translation	Impairment loss / Disposal	Total 2023
AC assets	592	0	691	–627	657
AC liabilities	–2,884	0	–7,037	-7	–9,928
FVtPL assets	156	–232	0	0	–76
FVtPL liabilities	–257	0	-56	0	–313
	–2,394	**–232**	**–6,401**	**–633**	**–9,660**

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

FINANCIAL ASSETS

in € '000		CARRYING AMOUNT 31/12/2023	CARRYING AMOUNT 31/12/2022
Non-current financial assets	Financial assets	281	281
	Derivative financial instruments	175	408
Current financial assets	Trade receivables	82,991	88,863
	Other financial assets	278	304
	Cash and cash equivalents	74,244	65,716
Non-current financial liabilities and other financial liabilities	Loans	–26,601	–36,358
	Liabilities due to purchase price obligation	0	–2,719
	Other financial liabilities	–13,980	–7,433
Current financial liabilities and other financial liabilities	Loans	–32,199	–32,592
	Trade payables	–27,333	–32,635
	Liabilities due to purchase price obligations	–3,032	0
	Other financial liabilities	–1,748	–2,818
Total by measurement category	AC - Amortised Cost assets	157,794	155,164
	AC - Amortised Cost liabilities	–101,861	–112,803
	FVtPL - Fair Value through Profit and Loss assets	175	408
	FVtPL - Fair Value through Profit and Loss liabilities	–3,032	–2,719

In the majority of cases, the loans are subject to variable interest rates. In this context, the assumption in respect of these loans is that the carrying amount approximates the fair value in those cases in which the default risk remains unchanged. The loan for the purpose of financing the purchase price of SIMONA PEAK Pipe Systems Limited, which is subject to a fixed interest rate, had a carrying amount of €9,225 thousand (previous year: €10,845 thousand) and a fair value of €8,948 thousand (previous year: €10,503 thousand) as at the reporting date. The fair value is determined using input factors that are based on predominantly observable market data (Level 2). Measurement is conducted by discounting the future cash flows on the basis of the market interest rates applicable at the end of the reporting date for the remaining term of the respective loans.

[35] HEDGING TRANSACTIONS

Cash flow hedging instruments

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

As part of the purchase price financing for SIMONA PEAK Pipe Systems Limited, an interest rate swap with a nominal value of €11,250 thousand was concluded for the purpose of hedging the interest rate risk. At the end of the year, the underlying loan amount totalled €8,438 thousand (previous year: €10,688 thousand). The fair value of the interest rate swap is €175 thousand (previous year: €408 thousand). The interest rate swap pays a fixed interest rate of 1.59 per cent on the nominal amount and receives a floating interest rate equal to the 3-month EURIBOR +0.60 per cent. In this context, the variable interest payment is converted in economic terms into a fixed interest payment.

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

[36] OTHER INFORMATION

Subsidiaries and associated companies

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

OWNERSHIP INTEREST

Subsidiaries	in %
SIMONA Beteiligungs-GmbH, Kirn, Germany	100.0
SIMONA Produktion Kirn GmbH & Co. KG, Kirn, Germany	100.0
SIMONA Kirn Management GmbH, Kirn, Germany	100.0
SIMONA Produktion Ringsheim GmbH & Co. KG, Ringsheim, Germany	100.0
SIMONA Ringsheim Management GmbH, Ringsheim, Germany	100.0
SIMONA Immobilien GmbH & Co.KG, Kirn, Germany	100.0
SIMONA Immobilien Management GmbH, Kirn, Germany	100.0
SIMONA UK Ltd., Stafford, United Kingdom (sales activities until 31 December 2023)	100.0
SIMONA PEAK Pipe Systems Limited, Chesterfield, United Kingdom	100.0
SIMONA S.A.S., Domont, France	100.0
SIMONA S.r.l. Società UNIPERSONALE, Cologno Monzese (MI), Italy	100.0
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain	100.0
SIMONA POLSKA Sp. z o.o., Wrocław, Poland	100.0
SIMONA AMERICA Group Inc., Archbald, USA	100.0
Power Boulevard Inc., Archbald, USA	100.0
SIMONA Boltaron Inc., Newcomerstown, USA	100.0
SIMONA PMC, LLC, Findlay, USA	100.0
Industrial Drive Inc., Archbald, USA	100.0
SIMONA AMERICA Industries LLC, Archbald, USA	100.0
SIMONA ASIA LIMITED, Hong Kong, China	100.0
SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China	100.0
DEHOPLAST POLSKA, Sp. z o.o., Kwidzyn, Poland	51.0
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic	100.0
SIMONA INDIA PRIVATE LIMITED, Mumbai, India	100.0
SIMONA ASIA PACIFIC PTE. LTD., Singapore, Singapore	100.0
SIMONA Stadpipe AS, Stadlandet, Norway	74.93
SIMONA Stadpipe Eiendom AS, Stadlandet, Norway	100.0
SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Düzce, Türkiye	70.0
Associates	
CARTIERWILSON, LLC, Marietta, USA	25.0

With effect from 15 November 2023, the entity SIMONA FAR EAST LIMITED, Hong Kong, China, was deconsolidated due to liquidation. The net result from the aforementioned deconsolidation amounts to €247 thousand and was recognised in the income statement under finance income.

With effect from 29 November 2023, the entity OOO SIMONA RUS, Moscow, Russian Federation, was deconsolidated due to liquidation. The net result from the aforementioned deconsolidation amounts to €1 thousand and was recognised in the income statement under finance income.

As a result, the scope of consolidation was reduced by two fully consolidated companies.

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

Financial assets

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

COMPANY

	Ownership interest	Equity 31/12/2022	Profit 2022
	%	EUR ’000	EUR ’000
SIMONA Sozialwerk GmbH, Kirn, Germany	50.0	8,944	–1,687
SIMONA Vermögensverwaltungs-gesellschaft der Belegschaft mbH, Kirn, Germany	50.0	857	792

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

Average number of staff employed during the financial year:

GROUP

	2023	2022
Industrial staff	975	1,009
Clerical staff	682	612
Employees	**1,657**	**1,621**
School-leavers (apprentices)	58	66
Total number of employees	**1,715**	**1,687**

Contingent liabilities

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

Order commitments

ORDER COMMITMENTS

EUR '000	31/12/2023	31/12/2022
Investitionsvorhaben	24,578	33,004
Rohstoffbestellungen	22,253	36,358
	46,831	**69,362**

The share of intangible assets in total commitments amounts to €2,078 thousand (previous year: €0 thousand).

Declaration of Conformity regarding the German Corporate Governance Code

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

Disclosures under Section 313(2) HGB

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

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

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

Members of the Management Board did not report any shareholdings in SIMONA AG as at 2 June 2023 (date of the Annual General Meeting).

As at 2 June 2023 (date of the Annual General Meeting of Shareholders) the members of the Supervisory Board reported a total holding of 13,000 shares; this corresponds to approx. 0.22 per cent of the share capital of SIMONA AG.

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

Audit fees

The total fee invoiced by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, in the financial year amounts to €429 thousand and relates to auditing services of €425 thousand and other assurance services of €4 thousand. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, had been appointed as auditor in the 2022 financial year. In this context, an amount of €489 thousand had been recognised as expenses for auditing services and €38 thousand for other assurance services.

PART OF THE FUTURE

Events after the reporting period

There were no events or developments between the end of the financial year and 11 April 2024 that would have led to a material change in the recognition or measurement of the individual assets and liabilities as at 31 December 2023 or that would have necessitated disclosure.

Kirn, 11 April 2024

SIMONA Aktiengesellschaft
The Management Board

Matthias Schönberg Dr. Jochen Hauck Michael Schmitz

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

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

Kirn, 11 April 2024

SIMONA Aktiengesellschaft
The Management Board

Matthias Schönberg Dr. Jochen Hauck Michael Schmitz

REPRODUCTION OF THE AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To SIMONA Aktiengesellschaft, Kirn

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

Audit opinions

We have audited the consolidated financial statements of SIMONA Aktiengesellschaft, Kirn, and its subsidiaries (the Group), which comprise the Group statement of financial position as at 31 December 2023, the Group income statement (statement of profit or loss), the Group statement of comprehensive income, the Group statement of changes in equity and the Group statement of cash flows for the financial year from 1 January to 31 December 2023 as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report for the parent and the Group of SIMONA Aktiengesellschaft, Kirn, for the financial year from 1 January to 31 December 2023. In accordance with the 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 consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e(1) HGB and, in compliance with these requirements, give a true and fair view of the financial position and cash flows of the Group as at 31 December 2023 and of its financial performance for the financial year from 1 January to 31 December 2023, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, the combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of the above-mentioned 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 consolidated financial statements and the combined management report.

Basis for the audit opinions

We conducted our audit of the consolidated 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 consolidated financial statements and combined management report" section of our report. We are independent of the Group companies in accordance with the requirements of European Union law as well as German commercial and professional law, 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 consolidated financial statements and combined management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated 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 consolidated financial statements as a whole, and in forming our opinion thereon; 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.

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

Recoverability (i.e. impairment testing) of goodwill recognised

a) As at 31 December 2023, the carrying amount of goodwill in the consolidated financial statements was €61.8 million (i.e. 10.1% of the total Group assets) and is reported under the "Intangible assets" item in the statement of financial position. The impairment test is performed at the level of the cash-generating units or group of cash-generating units by determining the respective recoverable amount and comparing it with the corresponding carrying amount. The recoverable amount is determined using the discounted cash flow method on the basis of the one-year financial plan for which the executive directors are responsible and which has been approved by the Supervisory Board and which – supplemented by forecasts prepared by the executive directors for a further three planning years – is extrapolated on the basis of assumptions relating to long-term growth rates. In this context, expectations regarding future market developments and assumptions relating to the macroeconomic influencing factors are taken into account.

The outcome of this assessment is dependent to a large extent on estimations regarding the future cash flows of the respective cash-generating unit or group of cash-generating units by the executive directors and the discount rate used in each case and is therefore subject to considerable uncertainty. Against this background and due to the underlying complexity of the valuation model, this matter was of particular significance in the context of our audit.

The Company's disclosures relating to goodwill can be found in sections 4, 5 and 17 of the consolidated financial statements.

b) In the context of our audit, we reviewed, among other things, the methodology used to perform impairment testing, the planning process of SIMONA Aktiengesellschaft and the calculation of the weighted cost of capital. Our assessment included a review of the Group's adherence to planning in the past.

As part of the audit, we integrated in-house 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 reconciled the expected future cash flows with the one-year financial plan approved by the Supervisory Board and for which the executive directors are responsible and the forecast calculations for the three subsequent years, and checked the plausibility of the key assumptions and parameters used against general and industry-specific market expectations. As a significant portion of the value in use results from projected cash flows for the period after the four-year plan (perpetuity phase), we also examined the sustainable growth rate applied to the perpetuity, in particular, on the basis of industry-specific market expectations. In addition, we reviewed the region-specific discount rates (weighted average cost of capital – WACC) applied to impairment testing using our own verification and comparative calculations and checked their plausibility on the basis of market data.

In addition, we performed sensitivity analyses with regard to both the growth expectations for future cash flows and the discount rate applied and assessed whether the methods applied by the executive directors, the assumptions made, the data used and the parameters applied are justifiable.

Finally, we reviewed the disclosures in the notes to the consolidated financial statements on the recoverability of goodwill in respect of completeness and compliance with the requirements of IAS 36.

Other Information

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

- the report by the Supervisory Board, which is not expected to be made available to us until after the date of this auditor's report,
- 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,
- the responsibility statement pursuant to Section 297(2) sentence 4 and Section 315(1) sentence 5 HGB relating to the consolidated financial statements and the combined management report, and
- all other parts of the annual report that are expected to be made available to us after the date of this auditor's report,
- but not the consolidated financial statements, the audited content of the combined management report and our auditor's report thereon.

The Supervisory Board is responsible for the report of the Supervisory Board. 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 consolidated 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 consolidated 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 consolidated financial statements and the combined management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e(1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the financial position, cash flows and financial performance of the Group. Furthermore, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, the executive directors area responsible for using the going concern basis of accounting unless the intention is to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a 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 Group's financial reporting process for the preparation of the consolidated financial statements and the combined management report.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the 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 consolidated 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 consolidated 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 consolidated 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 audit opinion on the effectiveness of these systems;
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures;
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present 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 Group in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the combined management report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinions;
- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides;
- perform audit procedures on the prospective information presented by the executive directors in the 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for 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 consolidated 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 consolidated financial statements and of the combined management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the file, which has the SHA-256 value 98a2d5e944f73a5e52bc 7cc77d29cd6a73acad0a250cbc4ba7cf3c2a62afd4c2 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 “Group 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 consolidated financial statements and the combined management report in accordance with Section 328(1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328(1) sentence 4 no. 2 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.

Group auditor’s responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328(1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. 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 audit 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 consolidated financial statements and to the audited combined management report;
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as Group 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 Group 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 consolidated financial statements and the audited combined management report as well as the assured ESEF documents. The consolidated 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 consolidated 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, 11 April 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Stefan Dorissen	Mark Fitzner
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL CALENDER 2024

24 April	Annual Press Conference
	SIMONA Group Consolidated Financial Statements and Financial Statements of SIMONA AG for FY 2023
	Press Release on the First Quarter of 2024
7 June	Annual General Meeting 2023
31 July	Group Interim Report for the First Half of 2024
23 October	Press Release on the Third Quarter of 2024

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