

**SIMONA**

**2020**

**GrowTogether**

**GrowTogether**

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Financial Statements 2020



**Grow  
Together**

Financial Statements of SIMONA AG  
for the Financial Year 2020

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# Grow Together

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## Combined Management Report for the 2020 Financial Year

This management report combines the Group management report and the separate management report of SIMONA Aktiengesellschaft, Kirn (referred to also as SIMONA AG, SIMONA or company) (Section 315(3) in conjunction with Section 298(3) of the German Commercial Code – HGB). This combined management report has been published instead of a Group management report in the annual report of the SIMONA Group. It includes details relating to the course of business, including performance, as well as the position and expected development of the Group and SIMONA AG. Information pertaining to SIMONA AG has been included in the business review that can be found in a separate section with details presented in accordance with provisions set out in the German Commercial Code (Handelsgesetzbuch – HGB).

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## 1. Fundamental information about the group

### 1.1 The business model

The SIMONA Group develops, manufactures and markets a range of semi-finished thermoplastics, pipes and fittings as well as profiles. The materials used include polyethylene (PE), polypropylene (PP), polyvinyl chloride (PVC), polyethylene terephthalate (PETG), polyvinylidene fluoride (PVDF), ethylene-chlorotrifluoroethylene (E-CTFE), perfluoroalkoxy (PFA), thermoplastic olefins (TPO), acrylonitrile butadiene styrene (ABS) and various specialist materials. The production methods applied within this area range from extrusion, pressing and injection moulding to CNC manufacturing. SIMONA also maintains its own plastics workshop for the production of customised fittings.

#### Key sales markets

Semi-finished products are deployed mainly within the area of chemical tank and equipment construction, mechanical engineering, the transport industry, the construction sector, the exhibition and display sector as well as the automotive and aerospace industry. Pipes and fittings are used primarily for drinking-water supply, sewage disposal and industrial piping systems, including the chemical process industry, as well as in the field of aquaculture.

The SIMONA Group markets its products worldwide. Categorized geographically according to the regions

- Europe,
- Americas, and
- Asia and Pacific,

the business segments comprise the product areas

- Semi-Finished Products, and
- Pipes and Fittings.

#### Production and sales locations

Sales activities at Group level are conducted by SIMONA AG and subsidiaries in the United Kingdom, Italy, France, Spain, Poland,

the Czech Republic, Russia, Hong Kong, China, India, Norway and the United States, both directly and via trading partners. Beyond this, SIMONA AG operates a sales office in Möhlin, Switzerland. It contributes around 3 per cent to Group sales revenue. The parent company, SIMONA AG, has its registered office in 55606 Kirn (Germany). In the period under review, the SIMONA Group operated three manufacturing facilities in Germany and six 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 and sheets, while the site in Jiangmen (China) manufactures sheets. The facility operated by SIMONA AMERICA Industries LLC in Archbald (Pennsylvania, USA) mainly produces sheet products. SIMONA Boltaron Inc. produces thermoplastic sheet products at its plant in Newcomerstown (Ohio, USA), which are primarily used for aircraft interiors and in the building sector. Additionally, SIMONA PMC, LLC manufactures sheet products at its facility in Findlay (Ohio, USA). Made primarily from thermoplastic olefins (TPO) and acrylonitrile butadiene styrene (ABS), they are used in thermoforming applications. SIMONA Stadpipe AS, Stadlandet (Norway), plans, produces and installs piping systems for aquaculture applications.

#### Management and supervision at SIMONA AG

The members of the Management Board in the financial year under review were Dr. Jochen Hauck, Matthias Schönberg (Chairman/CEO) and Michael Schmitz. SIMONA has established a Global Management Team (GMT) that consists of the Management Board of SIMONA AG as well as the CEOs of SIMONA in the United States, Larry Schorr (until 31 December 2020) and Adam Mellen (as from 1 January 2021), and Asia, Y.K. Wong. The GMT is intended to facilitate a regular global exchange relating to strategy, in addition to managing global projects and promoting the internationalisation of the company.

The Supervisory Board included the following members in the financial year under review: Dr. Rolf Goessler (Chairman), Roland Frobel (Deputy Chairman), Dr. Roland Reber and Martin Bücher as well as Andy Hohlreiter and Markus Stein as employee representatives.

## 1.2 Objectives and strategies

The SIMONA Group conducted an in-depth analysis of its strategic positioning in 2020, which included redefining the direction to be taken. Its ambitions within this area have been summarised under the heading „GrowTogether“. The primary goal remains the generation of profitable growth, which is to be achieved organically and through company acquisitions. In this context, the focus is on thermoplastic sheets, pipes and fittings, which SIMONA supplies to industries undergoing global growth. Group revenue is to be increased further, with the EBIT margin standing at between 6 and 8 per cent. SIMONA is looking to become the company with the highest degree of end-consumer orientation within its industry. The HR motto „A Company Like a Friend“ underscores the aspiration of a close and trusting relationship with all stakeholders. This is promoted by well-trained employees, open communication and a culture of feedback.

SIMONA has introduced strategic initiatives in pursuit of these goals.

- **Process orientation:** With the aim of achieving excellence relating to all processes, the latter are to be further refined, documented and continuously improved. SIMONA will introduce consistent process orientation through intensive staff training and development as well as an open culture of communication and feedback.
- **Application orientation:** SIMONA will focus on core markets and align its structural and process organisation with the requirements of end customers. This provides the foundation for an in-depth understanding of the fields of application relating to the various products. New areas of application are to be cultivated selectively according to this principle.
- **Agile partner to industry:** SIMONA wants to think in a market- and applications-driven way, while acting in a product-based manner. A close dialogue with end customers and a thorough understanding of the challenges they face are essential, regardless of the sales channel of the products in question.
- **Global profitability:** each and every region is to make a consistently profitable contribution to the company's success.

- **Sustainable added value for society and the environment:** the intelligent and resource-efficient use of plastics, for example, can help to reduce energy consumption and emissions, facilitate water treatment or ensure the transport of energy from renewable sources.

SIMONA pursued these goals consistently over the course of 2020, adjusting them to some extent in response to market distortions caused by the COVID-19 crisis. In Europe, a new application- and process-oriented business structure for the EMEA region was drawn up and introduced as from 1 January 2021. This involved discontinuing the company's former divisional separation into the product areas of Semi-Finished Products and Pipes and Fittings in favour of an application-oriented structure centred around business lines. The principal goals are to raise the company's competitiveness through improved efficiency, closer dialogue with end users and better customer service, in addition to pressing ahead with efforts to enter new fields of application and develop new products. SIMONA has introduced five business lines: Industry, Infrastructure, Advertisement & Building Industry, Mobility and Aquaculture. The Aquaculture business line includes the Norwegian company Stadpipe AS, which was acquired effective from 1 July 2020 and is expected to make a decisive contribution to achieving the company's growth targets within the global aquaculture market. The acquisition of the Turkish manufacturer of PVC foam sheets MT Plastik AS, Düzce/Turkey effective from 1 February 2021 is a strategic decision that will strengthen the market position of the Advertisement & Building Industry business line in Europe. SIMONA thus aims to extend its premier market position with regard to quality, breadth of product range and market share.

Other important elements of the new organisational structure are an organisational separation of customer support and order management in Customer Service and end-to-end process orientation throughout the company, which will improve delivery capability and enable faster response times. Furthermore, the areas of logistics and production in Europe were analysed as part of other strategic sub-projects. Investments in automation, lean management and plant optimisation and control are aimed at raising efficiency levels and thus competitiveness.

# Grow Together

Following the severe COVID-19-induced slump in business relating to sheets for aircraft interiors, the strategy adopted by SIMONA Boltaron, a subsidiary based in the Americas region, was realigned towards tapping into new fields of application with comparable product requirements, as the aircraft business is not expected to return to its pre-crisis level until 2025 at the earliest.

## 1.3 Internal control system

SIMONA uses the Balanced Scorecard (BSC) as a strategic management and monitoring instrument. Within this context, the Management Board is responsible for the BSC-related 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 and initiating adjustments to the BSC process and the BSC-related corporate goals. The BSC cascades down to the company's other management levels. The BSC process was reviewed in 2019. The regions covering the United States and Asia were systematically included in the newly established BSC process. Measures were introduced to ensure faster target agreement and better controlling with regard to target achievement. In 2020, these measures led to the target agreement process for the 2021 financial year being completed one month faster.

The analysis and assessment of earnings performance by SIMONA are conducted primarily with the help of sales revenue as well as the two financial indicators EBIT and EBITDA. EBIT represents the operating result before interest and taxes as well as income from investments. EBITDA (earnings before interest, taxes, depreciation and amortisation as well as investment income) represents an approximation for cash flow from operating activities, as non-cash depreciation/write-downs of property, plant and equipment as well as amortisation/write-downs of intangible assets are added to the EBIT figure.

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

intangible assets, property, plant and equipment, financial assets, inventories and trade receivables less trade payables).

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

## 1.4 Research and development

Research and development is subdivided into the areas of Formula Development, New Products & Applications and Process Development. Innovation Circles apply the Stage-Gate process to evaluate and prioritise new product ideas, before pursuing market roll-out. The indicator used in this area is the share of recent products (no older than three years) in total sales revenue, which was increased slightly over the course of 2020.

As regards process and material development, the focus was on raising efficiency levels and introducing lean structures and shop floor management as part of the strategic realignment in Europe. To this end, a comprehensive programme of investment and measures was launched. In addition to targeting innovative components for measurement and control technology, investments were also made in state-of-the-art nozzle technology that is aimed at reducing changeover times. The roll-out of surface inspection systems continued in 2020. As regards partially fluorinated materials, production capabilities relating to PVDF were extended to include sheet thicknesses of up to 25 mm. At a global level, the subsidiaries in the United States and Asia were given support with the development and industrial-scale production of transparent sheet material to meet COVID-19-related demand.

At the pipe and fittings plant in Ringsheim (Baden-Württemberg), investments were made in expanding the injection-moulding portfolio and raising efficiency levels with the help of multiple moulds. A new, state-of-the-art injection-moulding machine for the production of loose flanges was installed in 2020. Featuring a 3D bin picking system, the line enables automated loading of the steel rings, which reduces manual work.

Investments were made at the three US production sites to improve quality and output. At the plant in Archbald, automatic thickness measurement and visual QM systems were introduced on a production line for laminated sheets.

At the Jiangmen plant in China, production capacity for PVC sheet extrusion was expanded to meet heightened demand for transparent materials in the semiconductor and electroplating industries. Additionally, capacities for the production of polyolefin welding rods were increased and investments were made with regard to the surface design and foam technology of polyolefin sheets.

Within the area of semi-finished products, a product range for rail vehicles was developed that meets the strict fire regulations of the EN 45545 standard. The range was rolled out under the SIMORAIL brand name. The SIMONA® PP-H AlphaPlus product line for applications primarily within the chemical process industry was further optimised in the period under review. Both a PVC product and a PVC-free variant for use in hygienic areas were developed for the wall protection panel market.

The company's focus within the area of pipes and fittings was on strengthening its abilities as an innovator. Product and application development was restructured and upstaffed. A range of cable protection pipes with higher temperature resistance and low-friction interior layers was developed for the transport of renewable energies in particular. SIMOFUSE, the joining technology developed by SIMONA, can now be used to manufacture modules in large dimensional ranges. The product range for sewer rehabilitation was expanded, especially with regard to ovoid pipes.

As in the previous year, expenses attributable to research and development within the Group amounted to €4.4 million. Expenses are mainly comprised of staff costs, material costs and depreciation of property, plant and equipment.

## 2. Business review

### 2.1 Macroeconomic and sector-specific environment

The COVID-19 pandemic plunged the global economy – already flagging in 2019 – into the worst recession since the 2008/2009 financial crisis. The International Monetary Fund (IMF) has forecast a decline in global economic growth of 3.5 per cent – after growth of 2.8 per cent in the previous year. In this context, economic performance varied across the SIMONA Group's three reporting regions.

Based on initial estimates, the gross domestic product (GDP) within the eurozone fell by 6.8 per cent in 2020. Economic output in Germany declined by 5.0 per cent. The pandemic had a visible impact on all sectors of the economy, with the exception of the construction industry, which saw a slight upturn. Capital expenditure on machinery and equipment, an aspect that is of particular importance to SIMONA's business activities, declined by as much as 12.5 per cent. In Spain (–11.1 per cent), France (–9.0 per cent) and Italy (–9.2 per cent) the downturn in GDP was even more pronounced than in Germany.

Despite the highest number of infections worldwide, the US economy weathered the pandemic relatively well. Here, economic output fell by 3.5 per cent in 2020 as a whole. This was attributable to relatively stable investments in machinery equipment, coupled with a consistent level of private consumption.

The downturn in economic activity was also less pronounced in the Asia-Pacific region. In fact, China actually managed to achieve growth in 2020 – the only major economy in the world to do so in the period under review. Its GDP increased by 2.3 per cent. China emerged from the pandemic faster than many other countries, benefiting in particular from buoyant demand for medical and computer equipment. Growth was also underpinned by the rapid recovery of its domestic economy.

Revenue generated by the plastics processing industry in Germany fell by 5.6 per cent to €61.5 billion in 2020. At 6.1 per cent, foreign sales declined at a more pronounced rate than domestic sales at 5.5 per cent. As regards the individual categories of plastics processing, the segment comprising technical components suffered the most significant declines, mainly due to the poor performance of the automotive industry, while the construction segment came close to emulating its prior-year performance.

The chemical industry in Germany also had to contend with a significant downturn in the year under review. Revenue generated by Germany's third largest industry fell by 6 per cent. At 6.5 per cent, foreign business contracted at a faster rate than its domestic counterpart (-5.5 per cent), the impact being felt in almost all export markets. The chemical and pharmaceutical industry in Asia, the world's largest chemical market, proved resilient to the crisis. By the end of the year, many Asian countries had returned to – or even exceeded – their pre-crisis levels. In China, annual production within the chemical and pharmaceutical industry in 2020 was actually higher than in the preceding year.

Europe's mechanical engineering industry was hit particularly hard by the economic crisis that followed in the wake of the COVID-19 pandemic. In 2020, production output in Germany's mechanical and plant engineering sector fell by 12.1 per cent year on year in real terms, according to preliminary data issued by the Federal Statistical Office. In Germany, order intake declined by 11 per cent compared to the previous year. In the United States, meanwhile, production output shrank by 9 per cent. China, by contrast, saw production output expand by almost 6 per cent.

In Germany, the construction industry was one of the few economic sectors to achieve growth in 2020. The two industry associations Bauindustrie and Deutsches Bauhauptgewerbe anticipate revenue growth of 1.5 per cent for the principal construction sector. This growth was driven by public construction projects, while commercial construction declined by 0.7 per cent due to the lower propensity among companies to invest.

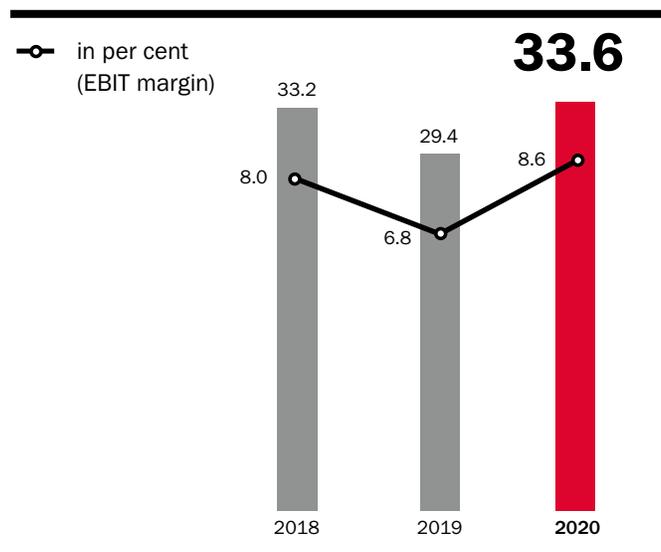
The global market for aircraft interiors was severely impacted by the virtual collapse of international air traffic. Market experts predict a decline in revenue of more than 50 per cent in 2020.

## 2.2 Course of business – SIMONA Group

Sales revenue totalled €389.8 million in the 2020 financial year (previous year: €432.5 million), which corresponds to a decline in revenue by 9.9 per cent. In regional terms, the Americas recorded the most severe downturn in revenue in the period under review. While Europe saw a moderate decline in revenue, Asia generated revenue that was comparable to the prior-year figure. Competition remained intense in all regions and product groups. SIMONA fell short of its revenue forecast of €430 to 440 million made in the previous year's Group management report for the 2020 financial year, due in particular to the COVID-19 crisis.

Group earnings before interest and taxes (EBIT) totalled €33.6 million, up on the figure of €29.4 million reported in the previous financial year. The EBIT margin stood at 8.6 per cent (previous year: 6.8 per cent). The Group therefore managed to exceed its projected EBIT margin of between 6 and 8 per cent. EBITDA rose from €46.8 million a year ago to €51.8 million at the end of the reporting period. This translates into an EBITDA margin of 13.3 per cent (previous year: 10.8 per cent), which is in excess of the projected

EBIT (in €m)



EBITDA margin of 9 to 11 per cent. The improvement in the EBIT margin was mainly attributable to lower material costs and selling expenses, despite lower revenue.

At 11.0 per cent, Group ROCE was above target (8 to 10 per cent) and also up on the prior-year figure of 9.6 per cent.

### Europe

The region comprising Europe saw sales revenue decline by 4.8 per cent to €256.7 million in total (previous year: €269.7 million). In Central Europe, business relating to semi-finished products declined disproportionately, compared to a slight downturn for pipes and fittings. In Eastern Europe, both areas of business contracted to an equal extent, while Western Europe was mainly affected within the product group of pipes and fittings. Contrary to the trend of previous years, the share of total revenue accounted for by Europe increased from 62.4 to 65.9 per cent, in particular due to the slump in revenue from sales in the region covering the Americas. EBIT within the segment covering Europe more than doubled, up from €9.8 million in the previous year to €22.7 million in the period under review.

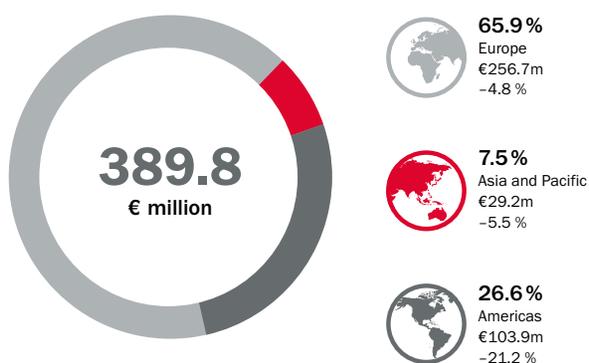
### Americas

The region comprising the Americas saw sales revenue fall by a significant 21.2 per cent in total, taking the figure to €103.9 million (previous year: €131.9 million). This was due primarily to the slump in business centred around aircraft interior fittings. As a result, the share of total revenues attributable to this region fell from 30.5 per cent to 26.6 per cent. In the Americas segment, EBIT was halved from €19.0 million in the previous year to €8.5 million in the period under review.

### Asia and Pacific

The region covering Asia and Pacific generated revenue of €29.2 million (previous year: €30.9 million). After a sluggish first half due to the pandemic, revenue increased significantly again in the second six months, particularly as a result of business in the automotive sector. Business within the area of pipes and fittings was more buoyant than in the previous year. The share of total revenues attributable to this region rose from 7.1 per cent to 7.5 per cent. The Asia and Pacific segment recorded EBIT of €2.8 million (previous year: €0.4 million). This includes a one-off effect due to the parent company's waiver of existing receivables in the amount of EUR 2.1 million, an item consolidated in the context of the preparation of the consolidated financial statements.

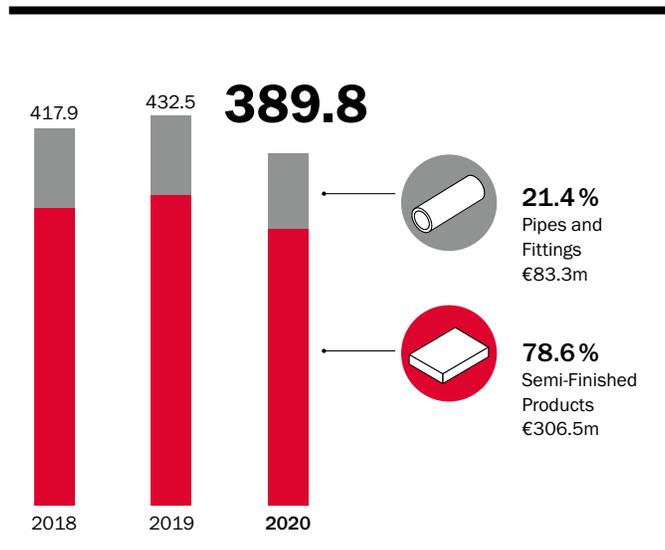
## REVENUE BY REGION



Allocated acc. to place of registered office of revenue-generating business unit

# Grow Together

## REVENUE BY PRODUCT AREA (in €m)



### Sales revenue by product area

The area comprising semi-finished products generated revenue of €306.5 million in the period under review (previous year: €344.1 million). The overall decline in revenue by 10.9 per cent is mainly due to the slump in aviation business in the United States as well as a worldwide downturn in revenue in the wake of the coronavirus pandemic.

In the product area comprising pipes and fittings sales revenue fell by 5.7 per cent to €83.3 million in the financial year under review (previous year: €88.4 million). The downturn in revenue is due to COVID-19 as well as a contraction in project business.

### Orders

Order backlog within the Group stood at €45.1 million as at 31 December 2020 (previous year: €47.2 million); of this total, a figure of €20.9 million (previous year: €22.6 million) is attributable to SIMONA AG.

## 2.3 Financial performance

Group EBIT (earnings before taxes, interest and investment income) rose by 14.1 per cent, up from €29.4 million to €33.6 million.

At 8.6 per cent, the EBIT margin was up on the figure of 6.8 per cent recorded in the previous financial year. The improvement in Group EBIT is mainly due to lower material and other expenses and higher other income. This more than compensated for the decline in revenue. The reduction in the cost of materials is largely attributable to lower procurement costs for raw materials. Other expenses were scaled back, in particular due to lower selling expenses in the wake of the COVID-19 pandemic. Against the backdrop of slightly higher depreciation/amortisation, this led to an improvement in EBITDA (earnings before taxes, interest, investment income and depreciation/amortisation) to €51.8 million (previous year: €46.8 million). This corresponds to an EBITDA margin of 13.3 per cent (previous year: 10.8 per cent). The return on capital employed (ROCE) increased from 9.6 per cent in the previous year to 11.0 per cent due to higher earnings.

Overall, gross profit (revenue, other income, change in inventories of finished goods and work in progress less cost of materials) improved by 0.4 percentage points year on year in the period under review to €209.3 million (previous year: €208.5 million). The gross profit margin rose to 53.7 per cent (previous year: 48.2 per cent). The improvement in the gross profit margin is mainly due to lower procurement costs for raw materials and additives.

A decrease in inventories of €-2.6 million was accounted for in the income statement (previous year: €-2.1 million).

Other income totalled €8.8 million (previous year: €4.6 million). The year-on-year increase is attributable primarily to the reversal of provisions and gains from currency translation.

Commodity prices fell during the first half of 2020, before trending higher again in the course of the fourth quarter. The cost of materials amounted to €186.6 million in the financial year under review (previous year: €226.5 million). The cost of energy included in the cost of materials was down by approximately €0.7 million compared to the previous year. This reflects the decline in output as well as the reduction in electricity procurement costs.

Staff costs stood at €87.0 million (previous year: €85.7 million), up 1.5 per cent on last year's figure. The year-on-year change was mainly attributable to collective wage increases and the addition

of new staff as part of the acquisition of SIMONA Stadpipe AS in Norway. The reduction in personnel in the United States due to the COVID-19 pandemic in particular had a counteracting effect.

Depreciation/amortisation of property, plant and equipment, right-of-use assets under lease arrangements and intangible assets, including write-downs, amounted to €18.3 million (previous year: €17.4 million). This includes depreciation of right-of-use assets under lease arrangements totalling €0.9 million.

Other expenses fell year on year, down by 7.2 per cent to €70.5 million (previous year: €76.0 million). The year-on-year change was due primarily to lower expenses relating to sales (€-5.9 million). This was offset in part by higher operating costs (€+0.7 million) and an increase in legal and consulting costs (€+0.8 million).

Taxes on income fell slightly from €7.4 million a year ago to €7.3 million at the end of the reporting period. The Group tax rate was 24.0 per cent in the period under review, down from 26.5 per cent in the previous year. The year-on-year change is attributable in particular to lower advance tax payments due to reduced earnings projections for the 2020 financial year at the start of the COVID-19 pandemic.

The individual sales companies operating within the segment encompassing Europe recorded positive earnings in the period under review. In particular, the earnings contributions made by the subsidiaries in Eastern Europe and the United Kingdom were higher year on year. Earnings generated by the production company in the Czech Republic were also up on the prior-year figure. The cost of materials was €128.3 million (previous year: €151.8 million), i.e. this item fell at a more pronounced rate compared to the decline in revenue. Both raw material and energy costs decreased in the period under review. At €60.5 million, staff costs were up 5.7 per cent on the previous year, mainly due to the first-time inclusion of SIMONA Stadpipe AS. Other expenses totalled €51.3 million (previous year: €50.5 million).

EBIT generated in the Americas segment were down significantly due to the severe slump in the aviation business. The cost of materials amounting to €47.6 million (previous year: €60.7 million) fell mainly in line with the reduction in sales volumes. Staff

costs stood at €23.2 million (previous year: €24.8 million). At €19.2 million, other expenses were down by €-4.0 million compared to the previous year, primarily as a result of lower selling expenses.

Earnings within the Asia and Pacific segment stood at €2.8 million (previous year: €0.4 million). This includes a one-off effect due to the waiver of existing receivables in the amount of EUR 2.1 million, an item consolidated in the context of the preparation of the consolidated financial statements. Both staff costs and other expenses were lower than in the previous year. With the exception of the subsidiary in India, the sales companies in the Asia and Pacific segment recorded increases in earnings compared to the previous year.

## 2.4. Financial position

Total Group assets as at 31 December 2020 were €448.5 million, up on the prior-year figure (€430.2 million).

### Changes to assets

Intangible assets totalled €40.4 million (previous year: €38.0 million) and mainly consisted of goodwill from the US acquisitions as well as the corporate acquisition in Norway.

Property, plant and equipment amounted to €140.8 million (previous year: €138.7 million). Group capital expenditure on property, plant and equipment amounted to €20.3 million (previous year: €23.5 million). Depreciation and write-downs of property, plant and equipment stood at €15.4 million (previous year: €14.7 million).

Right-of-use assets relating to leases amounted to €1.8 million (previous year: €2.0 million).

The increase in deferred tax assets is mainly attributable to higher provisions for pensions.

Inventories totalled €84.9 million (previous year: €89.7 million). Inventories of raw materials, consumables and supplies totalled €31.5 million (previous year: €34.0 million). Finished goods and merchandise fell from €54.7 million to €52.4 million due to the direction taken by revenues.

Reflecting the decline in revenue, trade receivables were down by €3.5 million year on year to €56.2 million.

Non-current and current other assets and tax assets totalled €8.6 million (previous year: €10.4 million).

Other financial assets amounted to €1.3 million (previous year: €2.0 million).

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

## Changes to equity and liabilities

At the end of the reporting period, non-current liabilities were up year on year, while equity was below the previous year's level.

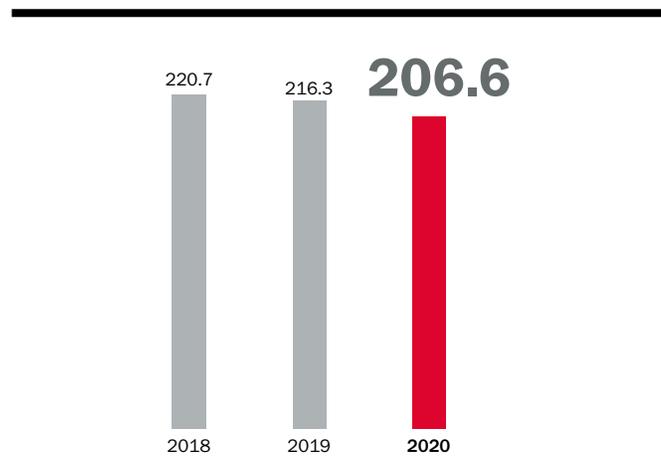
Group equity amounted to €206.6 million at the end of the financial year (previous year: €216.3 million), down €9.7 million on the previous year. This figure includes annual profit of €23.2 million for 2020 and the dividend payment of €6.0 million in the 2020 financial year. Group equity was diluted by €11.0 million, without affecting profit or loss, as a result of the remeasurement of pension provisions. This was due to a significant reduction in the IFRS actuarial interest rate.

The initial recognition of the purchase option for the outstanding interests in SIMONA Stadpipe AS, Norway, resulted in a reduction in equity of €8.2 million. As regards the purchase agreement for interests in SIMONA Stadpipe AS, a shareholder agreement was concluded in 2020 with the former shareholder, who continues to hold 25.07 per cent of the interests in SIMONA Stadpipe AS. The shareholder agreement includes the right to a put/call option in respect of the purchase of the remaining interests.

The equity ratio for the Group fell from 50 per cent to 46 per cent at the end of the reporting period.

Current and non-current provisions for pensions were substantially higher at €157.6 million (previous year: €137.9 million). Due to the

## EQUITY (in €m)



further reduction in the IFRS interest rate to 0.50 per cent (previous year: 0.91 per cent), pension provisions were up markedly year on year.

At €17.4 million, trade payables were lower than in the previous financial year (€18.7 million).

Current and non-current other financial liabilities totalled €10.2 million (previous year: €2.4 million). This figure includes non-current liabilities from the above-mentioned option in the amount of €8.2 million relating to the acquisition of SIMONA Stadpipe AS, Norway, in 2020.

Other liabilities amount to €18.9 million (previous year: €18.9 million) and mainly include management and staff bonus payments, deferrals/accruals for invoices and credit notes yet to be received as well as public funds received by the US companies.

In total, non-current (€4.1 million) and current (€1.7 million) other provisions were comparable to the figures recorded in the previous financial year.

## Investments

Group capital expenditure on property, plant and equipment amounted to €20.3 million (previous year: €23.5 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. In total, net investments in property, plant and equipment amounted to €5.1 million at Group level (previous year: €8.8 million). Due to the COVID-19 pandemic, the capital expenditure budget was reviewed and scaled back to investments considered appropriate in the short term from the perspective of liquidity management. The remaining investments planned by the Group were put on hold.

## 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. 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 KfW loans and fell by €3.4 million to €8.4 million due to scheduled repayments. Current financial liabilities were unchanged at €3.4 million at the end of the reporting period and encompass the short-term proportion of KfW loans.

As in the previous year, no derivative financial instruments were recognised as at the end of the reporting period.

At the end of the reporting period the Group had undrawn lines of credit totalling €28.6 million (previous year: €19.0 million).

## Cash flows

In the period under review the inflow of cash from operating activities (gross cash flow) was €56.4 million (previous year: €51.6 million). The increase in cash inflow was attributable in particular to higher earnings as well as reduced advance tax payments due to lower earnings projections for the 2020 financial year at the start of the COVID-19 pandemic. The outflow of funds from investing activities amounted to €26.6 million. Of this total, investments in property, plant and equipment accounted for €20.3 million and the acquisition of subsidiaries €6.5 million. Net cash used in financing activities was €10.6 million (previous year: €12.9 million) and mainly consisted of the outflow in connection with dividend payments and the scheduled repayment of KfW loans.

### Cash and cash equivalents

The Group's cash and cash equivalents totalling €85.3 million (previous year: €68.4 million) mainly consist of short-term bank deposits. The increase by €17.0 million (previous year: €15.9 million) was mainly due to the higher cash inflow from operating activities. This was offset to some extent by higher outflows from investing activities. These changes are presented in detail in the statement of cash flows.

### Financial obligations

Current obligations included €7.9 million (previous year: €9.4 million) for contracts already awarded in connection with investment projects and €17.2 million (previous year: €13.2 million) in respect of purchase orders for raw materials. The increase in obligations from raw material orders results from early orders to secure raw materials in response to higher prices.

### Net finance cost

Based on finance income of €1.5 million and finance cost of €4.7 million, net finance cost amounted to €-3.3 million in the period under review (previous year: €-1.7 million). This includes the result from currency translation, which was €-1.9 million in the period under review (previous year: €0.6 million). The loss from currency translation is due in particular to the direction taken by the US dollar.

## 2.6 Course of business – SIMONA AG

SIMONA AG's revenue declined in the wake of the COVID-19 pandemic. The decline of 7 per cent was more pronounced in the area of semi-finished products than in the area of pipes and fittings (-5 per cent).

Sales revenue totalled €271.3 million (previous year: €289.0 million). This corresponds to a decline in revenue by 6.1 per cent.

### Germany

Sales revenue in Germany fell by 6.4 per cent to €109.3 million (previous year: €116.7 million). This was due in particular to the sharper decline in business within the area of semi-finished products than in the area of pipes and fittings as a result of the COVID-19 pandemic.

### Rest of Europe and Africa

The region comprising the Rest of Europe and Africa saw sales revenue decline by -5.5 per cent to €142.1 million, down from €150.4 million in the previous year.

### Americas

Revenue from sales in the region encompassing the Americas fell to €6.3 million (previous year: €7.4 million).

### Asia and Pacific

The Asia & Pacific region recorded a reduction in revenue, down by 5.0 per cent to €13.7 million.

### Sales revenue by product area

In the area comprising semi-finished products sales revenue decreased by 7.3 per cent to €169.2 million (previous year: €182.4 million). Revenue from the product group comprising pipes and fittings fell by 5.1 per cent, down from €86.3 million to €81.9 million. The area relating to services and other business recorded revenue of €20.2 million (previous year: €20.4 million).

### Earnings performance

SIMONA AG recorded higher earnings compared to the previous year. Earnings before interest and taxes (EBIT), calculated on the

basis of IFRS, totalled €14.9 million (previous year: €3.6 million), while the EBIT margin stood at 5.8 per cent (previous year: 1.3 per cent). The target EBIT margin had been set at 1.0 to 2.0 per cent. EBITDA, calculated on the basis of IFRS, tripled from €5.4 million in the previous year to €16.8 million in the period under review. The EBITDA margin stood at 6.6 per cent, compared to 2.0 per cent for the same period a year ago (target of 1.5 to 2.5 per cent). At 20.0 per cent, ROCE (based on IFRS) was up on the prior-year figure of 3.1 per cent (target 2.0 to 4.0 per cent).

The increase in EBIT and EBITDA is mainly due to a marked improvement in gross profit, stable staff costs and a significant reduction in other operating expenses. Overall, business performance with regard to earnings was very encouraging in the 2020 financial year, despite the decline in revenue.

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

in €m	2020	2019
<b>EBIT under IFRS</b>	<b>14.9</b>	<b>3.6</b>
Change in inventories	0.2	1.3
Cost of materials	1.3	-0.7
Staff costs (pensions)	3.5	3.2
Depreciation/amortisation/write-downs of intangible assets and property, plant and equipment	0.2	0.1
Other operating expenses	-2.5	0.1
Other changes	1.2	2.9
<b>EBIT under HGB</b>	<b>18.8</b>	<b>10.5</b>

## 2.7 Review of financial position, performance and cash flows of SIMONA AG (HGB)

### Earnings performance

Gross profit (sales revenue less cost of materials) amounted to €79.6 million, up by a substantial 21.5 per cent year on year. The gross profit margin rose from 22.7 per cent a year ago to 29.3 per cent. The cost of materials fell by a total of 14.2 per cent compared to the previous year, due to price-related factors as well as lower volumes as a result of the decline in revenue.

Other operating income totalled €2.8 million (previous year: €4.7 million). This figure includes gains of €0.8 million (previous year: €2.7 million) from currency translation.

Personnel expense amounted to €24.9 million, which was down slightly by 1.2 per cent on the prior-year figure. While staff costs were slightly lower year on year, social security and post-employment benefit costs rose by €0.3 million.

Depreciation, amortisation and write-downs attributable to intangible assets and property, plant and equipment totalled €1.7 million.

Other operating expenses rose from €32.7 million a year ago to €37.0 million in the period under review, an increase of 13.1 per cent. Due to the movement of the US dollar, expenses from currency translation in particular increased significantly to €3.3 million (previous year: €0.2 million). In the period under review, this item included expenses from the waiver of receivables from services rendered in previous financial years concerning the production company in China – in the amount of €2.1 million. In addition, legal and consulting costs increased, while selling expenses were lower.

Interest and similar expenses totalled €3.8 million (previous year: €4.4 million) and consisted primarily of expenses relating to the unwinding of the discount, i.e. interest cost, of pension provisions (€3.5 million, previous year: €4.0 million).

The increase in income tax expenses corresponds to the increase in earnings.

Earnings before interest and taxes (EBIT), calculated on the basis of HGB, totalled €18.8 million in the period under review (previous year: €10.5 million), as a result of which the EBIT margin stood at 6.9 per cent (previous year: 3.6 per cent). EBITDA amounted to €20.5 million (previous year: €12.2 million). The EBITDA margin stood at 7.5 per cent, compared to 4.2 per cent for the same period a year ago. Profit after taxes amounted to €15.3 million (previous year: €9.8 million). Despite the decline in revenue, earnings performance in the financial year under review

was mainly characterised by an improved gross profit margin, higher other operating expenses and an increase in income tax expenses.

### Financial position

Total assets attributable to SIMONA AG rose by €2.9 million to €278.0 million.

Non-current assets amounted to €150.9 million (previous year: €144.2 million), the increase mainly being attributable to the acquisition of interests in two subsidiaries in Norway.

Property, plant and equipment amounted to €9.8 million (previous year: €8.2 million).

Interests in affiliated companies rose by €7.2 million. This includes the purchase of 74.93 per cent of the interests in SIMONA Stadpipe AS, Stadlandet, Norway, as well as 100 per cent of the interests in SIMONA Stadpipe Eiendom AS, Stadlandet, Norway.

Loans to affiliated companies, amounting to €29.7 million (previous year: €31.6 million), relate to subsidiaries in the Americas and Asia. The subsidiaries in the United States repaid loans of €–2.2 million in the reporting period.

Inventories were slightly up on the prior-year figure (€23.8 million), rising to €24.7 million. They include raw materials, consumables and supplies (€0.5 million) as well as finished goods and merchandise (€24.2 million). Inventories of finished goods and merchandise rose by €1.0 million compared to the previous financial year.

Trade receivables decreased by €1.1 million to €20.7 million. At €25.5 million, receivables from affiliated companies – comprising loans and goods deliveries – were down by €19.5 million year on year. The decline is due in particular to fewer goods deliveries as well as the payment of a share of the profit from previous years in respect of the property and production companies.

Other assets totalled €2.0 million (previous year: €4.8 million).

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In total, receivables and other assets amounted to €49.1 million at the end of the year (previous year: €72.0 million).

Cash and cash equivalents rose from €34.8 million a year ago to €52.9 million at the end of the reporting period, an increase of €18.1 million. This increase is primarily due to net cash from operating activities and, in the opposite direction, to the repayment of KfW loans, outflows for the acquisition of two subsidiaries in Norway and the dividend payment.

## Cash flows

SIMONA AG's equity rose by €9.3 million year on year to €196.3 million. At 71 per cent, the equity ratio was higher than in the previous year (68 per cent). Alongside the increase in equity, which was mainly due to earnings, this was primarily attributable to the year-on-year reduction in borrowings.

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

Provisions amounted to €50.5 million (previous year: €46.6 million). In total, allocations to provisions for pensions were increased by €1.5 million compared to the previous year and stood at €41.1 million at the end of the reporting period. The discount rate fell to 2.30 per cent (previous year: 2.71 per cent). Other provisions totalled €4.6 million (previous year: €5.4 million). Tax provisions increased to €4.8 million due to higher earnings (previous year: €1.7 million).

Total liabilities fell by €10.2 million to €31.2 million.

Bank borrowings totalled €11.9 million (previous year: €15.3 million) and were attributable to long-term KfW loans. Under the terms of the contract, a total of €3.4 million was repaid during the financial year under review. At the end of the period under review, as in the previous year, no funds had been drawn from the short-term global credit facility. At the end of the reporting period, SIMONA AG had undrawn borrowing facilities of €26.0 million.

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 on the basis of EONIA (Euro OverNight Index Average) plus a fixed premium calculated on an arm's length basis; these borrowings can be denominated in euros or a foreign currency.

Trade payables totalled €2.4 million (previous year: €3.0 million).

Liabilities towards affiliated companies amounted to €14.1 million (previous year: €19.9 million) and relate mainly to goods deliveries from the German production companies as well as the subsidiary in the Czech Republic. The decline was attributable primarily to a reduction in goods deliveries.

## Investments

Capital expenditure relating to property, plant and equipment at SIMONA AG amounted to €2.9 million in the period under review (previous year: €2.4 million). These are mainly investments directed at the modernisation of logistics in Kirn as well as capital expenditure on operating and office equipment at the sites in Germany. In total, net investments in property, plant and equipment (additions less write-downs) amounted to €1.6 million (previous year: €1.0 million).

Obligations from investment projects already initiated amounted to €0.4 million; they are financed from operating cash flow.

## Analysis of liquidity

Cash and cash equivalents held by SIMONA AG at the end of the reporting period totalled €52.9 million (previous year: €34.8 million), comprising bank deposits denominated in euro and foreign currencies. The increase by €18.1 million is mainly due to cash inflows from operating activities and cash outflows from financing activities (repayment of KfW loans and the dividend payment) as well as cash outflows from the acquisition of two subsidiaries in Norway.

## 2.8 Non-financial indicators

### Customer satisfaction

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

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

### Employees

As at 31 December 2020, the SIMONA Group employed 1,433 people (previous year: 1,421). Despite the acquisition of the Norwegian company SIMONA Stadpipe AS (42 employees), the number of employees increased only slightly compared to the previous year, as some of the vacancies attributable to less favourable market conditions were not filled again. In addition, SIMONA Boltaron had to reduce its headcount due to the pandemic-induced slump in the aviation business.

The headcount at German entities within the SIMONA Group (SIMONA AG and the two production companies in Kirn and Ringsheim) was slightly down on the prior-year figure at 799 at the end of the year (31 Dec. 2019: 805).

The number of vocational trainees was again maintained at the high level of 54 in 2020. These youngsters were enrolled in

vocational programmes relating to one of twelve technical and commercial training courses offered by SIMONA. As in the previous year, in 2020 nine young people were enrolled in an integrated/ dual work-study degree course supported by SIMONA or sponsored training to become a state-certified technician or to receive a Bachelor's degree.

All SIMONA sites around the world were affected by the COVID-19 pandemic in 2020 and had to combat the spread of the virus with a range of organisational measures that often changed as the pandemic evolved. At a global level, SIMONA only recorded a small number of infections in 2020. Despite the downturn in orders experienced over some of the period, benefits associated with short-time work were only claimed to a minor extent for a period of ten days. The technical and organisational requirements for home-office work were quickly met during the first lockdown in March. At the end of December, up to 95 per cent of administrative staff were working from home.

In addition to the many pandemic-related challenges faced by the SIMONA team in 2020, the year under review was also marked by a process of transition for employees – at all levels. The plant operating at SIMONA's headquarters in Kirn saw the launch of a comprehensive shop floor management project aimed at facilitating the efficient control of machinery with the help of key indicators; this also involves equipping the machines with measuring devices. The Group's EMEA business was realigned according to business lines, the objective being to offer customers more applications-driven solutions in the future.

The two divisions Semi-finished Products and Pipes and Fittings were merged and integrated into the business line structure. New processes relating to the supply chain (SCM), the product life cycle (PLM) and customer relationship management (CRM) were developed and employees were trained accordingly within these areas. The other focal points of staff training in 2020 were primarily the development of project management know-how and targeted personal training and coaching in line with annual staff appraisals. Due to the physical distancing measures implemented in response to the pandemic, a large proportion of company training had to take

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place online. Training with regard to lean operations was initiated for industrial staff in the period under review. Due to the pandemic, however, this programme has not yet been rolled out across the board.

The third generation of the Talent Promotion Circle (TPC) completed its third year of courses, focusing on strategy as well as project and change management. In this case, online platforms and digital media were the sole tools used to complete the requisite modules. The SIMONA TPC prepares high potentials for professional and managerial roles as part of a modular, three-year training programme. This year's programme includes employees from Europe, the USA and Asia. The aim is to develop the intercultural skills of those taking part in the programme, in addition to focusing on specialist topics. At the same time, the young professionals are given the opportunity to establish an international network.

The conversion of the third floor of the administration building at the company's headquarters in Kirn was completed and occupied in spring. The modern, open and functional design of the new workplaces has been well received by staff members. In the future, the other floors of the administration building are also to be modernised in line with this design concept.

## 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 recertification audits conducted in 2020. SIMONA conducted interdisciplinary quality circle meetings and product audits in the period under review, as well as taking part in various sampling and approval procedures for existing and newly launched projects relating to the automotive supply industry. As was the case in previous years, the Pipes and Fittings business line saw a number of specific product accreditations in response to customer and market requirements. This resulted in several audits as part of which we were able to prove to external auditors

the efficacy of the SIMONA management system as well as the exceptionally high quality of our products and processes.

## Information technology

The Information Technology department has drawn up a roadmap relating to the Group's global IT strategy in the period up to 2025. The main goals of this strategy include the modernisation and further refinement of SIMONA's existing IT landscape and IT organisation. This includes providing optimum support for the changing requirements of SIMONA's business, the global realignment of the IT organisation and the use of new, digital enabling technologies (e.g. cloud computing). The future IT landscape supports „end-to-end“ processes through integrated software solutions. The migration to SAP S/4HANA, which is expected to be completed by 2025, also includes the establishment of a global finance and reporting platform.

Within SIMONA's IT infrastructure, extensive adjustments were made to the network in 2020 in order to meet the requirements of home-office work in the wake of the COVID-19 pandemic. In addition, the equipment had to be adapted to the more far-reaching security standards associated with remote working. Another focal point was the integration of the SIMONA Stadpipe acquiree in Norway into the SIMONA IT infrastructure. In the area of IT security, additional components were installed to detect phishing content. This includes „link protection“ when opening links of external e-mails as well as additional filter mechanisms.

As regards IT application development, the focus was on implementing measures required in connection with the company's strategic projects, especially IT support for the new target operating model and optimising logistics. Among other things, the newly established business lines were mapped accordingly within the SAP environment and IT components were replaced at the central warehouse in Kirn. In addition, preparations were made for the upgrade of the warehouse management software.

### 3. Report on opportunities and risks

The global economic slump in 2020 led to a significant decline in investment activity within the industries served by SIMONA. This applies in particular to the aviation industry, the chemical industry and the mechanical engineering sector. In contrast, business relating to applications in the area of structural engineering benefited from new requirements introduced in response to the pandemic.

In the short and medium term, the trend relating to opportunities and risks is strongly dependent on the restrictions implemented in response to COVID-19 and the associated performance of the economy.

The aviation business, in particular, may be exposed to significant additional risk as a result of the COVID-19 crisis. Due to the (temporary) discontinuation of services by air freight airlines, delays and further shortages may occur in the area of logistics. The commodity markets pose one of the most significant risks for 2021. This relates to both the passing on of commodity price increases in an intensely competitive environment and the availability of raw materials.

The debate on the environmental impact of plastics, particularly in Europe, may have a negative impact not only on business but also on the recruitment of skilled personnel. The discussion surrounding CO<sub>2</sub> emissions from aircraft could have a detrimental effect on the market for aircraft interiors in the long term.

Against this backdrop of uncertainty from an economic and structural perspective, the use of plastics offers opportunities as a cost-effective alternative to replace heavier materials, for example in mobility applications, thus reducing CO<sub>2</sub> 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.

In Europe, strategic projects are being implemented for the purpose of increasing efficiency and competitiveness and thus expanding the opportunities for growth. Effective from 1 January 2021, SIMONA introduced a new organisational structure for its business activities in Europe, the Middle East and Africa (EMEA). This involves discontinuing the company's former divisional separation into the product areas of semi-finished products and pipes and fittings in favour of an application-oriented structure centred around business lines. The principal goals are to raise the company's competitiveness through improved efficiency, closer dialogue with end users and better customer service, in addition to pressing ahead with efforts to enter new fields of application. The new business line structure is designed to further deepen SIMONA's understanding of end user requirements, identify trends and accelerate the development of new products. Other important elements of the new organisational structure are an organisational separation of customer support and order management in Customer Service and end-to-end process orientation throughout the company, which will improve delivery capability and enable faster response times.

The acquisition of the Turkish manufacturer of PVC foam sheets MT Plastik AS, Düzce/Turkey, effective from 1 February 2021 will deliver more far-reaching opportunities for profitable growth in the market for digital printing and building applications. The acquisition of SIMONA Stadpipe AS in Norway offers growth opportunities within the globally expanding market for fish farms.

In the United States, the subsidiary SIMONA Boltaron boasts a tailor-made product range that meets exacting design standards relating to aircraft interiors. This expertise can also be applied to other fields of application. At the same time, however, the direction taken by the company's aviation business is heavily dependent on the further course of the COVID-19 pandemic. SIMONA also sees good potential in the market for thermoforming applications as well as for outdoor furniture made of plastic and the boatbuilding

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sector. Newly developed products with antibacterial settings also offer opportunities within the increasingly important market centred around infection control. In the medium term, the USA 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.

Overall, SIMONA is of the opinion that the potential for opportunities remains at a good level. Compared to the previous year, the opportunities for SIMONA's business remain fundamentally unchanged. However, the COVID-19 pandemic will have an adverse effect on the first half of 2021 at the very least. The effects of this cannot be reliably predicted at present.

## 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. The risk culture of SIMONA is characterised by risk awareness in respect of decision-making processes and embraces the principles of diligent action based on prudence. 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.

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. These elements are as follows:

- Measures that safeguard the appropriate IT-based preparation of items and data of relevance to financial reporting
- Monitoring of commodity price trends for accounting-related control of procurement and sales prices within the context of price management

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

SIMONA considers the following individual risks to be material:

- Macroeconomic and sales market risks
- Business strategy risks
- Financial risks
- Risks attributable to procurement and purchasing
- Investment risks
- Risks attributable to information technology

## 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 political conflicts and the availability

of raw materials. Among the primary sector-specific risks are the substitution of plastics with other materials, new developments within the competitive environment, the loss of key customers and changes to customer requirements. A diversified product portfolio, thorough monitoring of markets and structured procurement management provide the basis for risk mitigation. Benefiting from global production at multiple sites, including plants in the United States, China and the Czech Republic as well as newly acquired companies in Norway and Turkey, SIMONA is able to ensure a high degree of 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.

According to the IMF outlook, the COVID-19 pandemic will lead to a decline in global economic growth of around 3.5 per cent in 2020. Given the difficulties in assessing the effects of the pandemic, all forecasts relating to global economic performance are associated with a significant level of uncertainty.

The Group continues to be exposed to significant geopolitical risks. At a global level, ongoing debate surrounding plastics and the environment continues to pose risks. Within the segment covering Europe, measures aimed at combating the pandemic as well as the impact of Brexit are to be seen as key risks relating to the business environment and industry. In the Americas, meanwhile, risk exposure is also being influenced by anti-pandemic measures as well as by the future economic and political stance assumed by the United States and movements in the US dollar exchange rate. In the Asia and Pacific segment, meanwhile, the principal risks are attributable to future political relations and the direction taken by the trade dispute between the USA and China. As regards the aspect of changes to sales markets, the decline in revenue in the medium term is projected at approx. €5.0 to 10.0 million, with a probability of occurrence of under 50 per cent.

### Business strategy risks

In particular, they include the risk of misjudging future market developments and are estimated to result in revenue shortfalls of around EUR 5.0 to 10.0 million. Measures aimed at risk prevention mainly include close monitoring of the market and competitive

environment as well as regular strategy meetings with key accounts and between the company's senior management and sales organisation. The probability of adverse effects occurring from exposure to business strategy risks is at present not considered to be material.

### 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, product liability risks, risks of a change in interest rates and risks associated with the company pension scheme.

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

Dependence on the euro within the Group was scaled back further through the corporate acquisitions in recent years as well as the expansion of production and the company's market position in the United States. At the same time, however, currency risk relating to US dollar transactions remains high for SIMONA. In the medium term, the probability of occurrence of a dilutive or accretive effect on earnings equivalent to €3.0 to 6.0 million is estimated at over 50 per cent.

The risk of bad debts and insolvencies is markedly higher due to the COVID-19 pandemic. 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 €0.7 million, as in the previous year the potential risk roughly corresponds to the value of receivables of SIMONA AG in the Europe segment that are more than 60 days overdue. As regards transactions in Russia, a specific directive for the conclusion of business agreements relating to this country is in place for the purpose of limiting associated risks. 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 the risks with regard to voidability of insolvency, which are covered by appropriate insurance. The carrying amounts of inventories are assessed on a regular basis, and adjustments in the form of allowances are made for specific unsaleable products.

Interest rate risks are currently not considered to be significant. Interest payable in connection with KfW loans is based on fixed interest rates. Therefore, there are no risks associated with interest rate changes in this area. The overdraft facilities of SIMONA AG, with their floating interest rates, are not being utilised at present.

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 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. 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 €3.0 to 10.0 million, which is attributable primarily to the share performance of SIMONA AG stock in recent years. The COVID-19 pandemic led to considerable price fluctuations on the stock markets in the period under review. Plan assets were lower at the end of the year. SIMONA AG shares were down €1.4 million year on year at the end of the reporting period.

### **Risks attributable to procurement and purchasing**

As was the case in previous years, these risks are related primarily to potential disruptions or outages with regard to suppliers of raw materials and additives as well as volatile commodity price trends within the markets for raw materials. The direction taken by input commodities (naphtha, propylene and ethylene) that are of relevance to raw materials used by the company does not necessarily coincide with the price trend for crude oil. The prices of raw materials, especially commodities, fell continuously during

the year under review. In this context, market prices in 2020 were driven by the effects of restrained demand and supply due to the COVID-19 pandemic.

At the beginning of the 2021 financial year, meanwhile, the procurement market as a whole is dominated by the unstable supply of raw materials and significant supply-side bottlenecks. Europe has seen a number of force majeure incidents, plant disruptions as well as production cutbacks and maintenance shutdowns, primarily for standard thermoplastics such as polyethylene, polypropylene and PVC as well as their input commodities. The winter storm in Texas had a severe impact, causing significant damage to refineries and petrochemical plants. This is expected to lead to substantial supply-side shortages in the United States over the coming months. It will also have an impact on exports from the US. We anticipate that prices will continue to rise and that the supply-side situation will remain challenging in the second quarter of 2021. Prices and availability are not expected to return to more normal levels before the third quarter.

A 10 per cent increase in raw material prices that cannot be passed on to the sales market would result in an increase in raw material costs – and thus a strain on earnings – of around €3.5 million. The probability of occurrence is currently estimated at over 50 per cent.

### **Investment risks**

Investment risks mainly include the risk of misinvestment in machinery and in foreign investments. Potential investment risks are currently estimated at around €10.0 million, while the probability of occurrence is projected to be under 50 per cent.

### **Risks attributable to information technology**

Ongoing monitoring and optimisation of existing information technology are essential to the safety and reliability of business processes. With this in mind, refinements to measures already implemented within the area of information security are considered particularly important. The primary risks involved relate to the availability, reliability and efficiency of information technology systems, including a failure of the IT infrastructure, loss of data and attacks on IT systems. SIMONA addresses risks relating to

information technology through its in-house IT department as well as by commissioning specialised companies and making regular investments in the latest hardware and software. SIMONA responds to growing demands placed on system protection as part of its safety management programme. This mainly includes investments in the latest firewall and antivirus systems as well as other software systems. A significant loss in revenue caused by a temporary system failure is estimated at around €10.0 million. The probability of occurrence of external attacks on IT systems, in particular, has increased further.

At the end of the 2020 financial year, we are of the opinion that the overall risk situation for the Group has deteriorated compared to that of the previous year. In particular, it should be noted that the COVID-19 pandemic may have a significant impact that cannot be reliably predicted at present. 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 – 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 consolidated 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.

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. 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 new software module that is directly linked to the consolidation system and was implemented in the 2020 financial year.

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 principle of four eyes 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.

## **4. Report on expected developments**

### **Economic conditions**

As the repercussions of the pandemic are difficult to gauge, all projections relating to global economic performance are subject to considerable uncertainty. In January, the International Monetary

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Fund (IMF) revised its growth forecast for 2021 upwards slightly to 5.5 per cent. This was in response to the commencement of vaccination campaigns and the prospect of government programmes aimed at stimulating the economy. However, the emergence of virus mutations as well as problems relating to vaccine production and distribution pose concerns for this more favourable outlook.

As regards the eurozone, the IMF has forecast growth of 4.2 per cent for 2021. The German economy is expected to grow by 3.1 per cent. The projected growth rates for France (+5.5 per cent) and Spain (+5.9 per cent) are higher. With growth of just 3.0 per cent, Italy is the weakest performer among the established economies in the euro area. Economic output in the UK is expected to increase by 4.5 per cent. The world's largest economy, the United States, is expected to grow by 5.1 per cent, two percentage points up on the figure presented in the October outlook. According to the IMF's economists, China's economy will expand by a significant 8.1 per cent.

The general mood among companies operating within Germany's chemical industry improved towards the end of 2020. For 2021, the industry federation VCI ("Verband der Chemischen Industrie in Deutschland e. V.") therefore predicts revenue growth of 2.5 per cent for the chemical-pharmaceutical sector. The chemical-pharmaceutical industry is forecast to grow from pre-crisis levels in most Asian economies in 2021, led by China and India. The industry association VDMA ("Verband deutscher Maschinen- und Anlagenbau") expects production output to expand by 4 per cent in 2021 and sees opportunities arising from the technological transition prompted by the COVID-19 pandemic. However, the forecast for export-driven industries comes with considerable uncertainties regarding the performance of the global economy.

The principal federations representing the German construction industry expect revenue to stagnate in 2021 in nominal terms. Public-sector construction is expected to continue to grow slightly, while the commercial building industry is likely to decline by 2.0 per cent.

The global market for aircraft interiors is predicted to decline further in 2021. A return to pre-crisis levels is not expected before 2025.

## Sector-specific conditions

According to a member survey by the industry association GKV, 52 per cent of respondents expect revenues to increase in the 2021 financial year. The share of companies anticipating a downturn in revenue is also relatively high at 33 per cent. This reflects the considerable degree of uncertainty surrounding the future impact of the COVID-19 pandemic. Companies' expectations with regard to profits are even more pessimistic. Here, a majority of 49 per cent expects a decline in bottom-line results. The significant increase in commodity prices and supply-side shortages within this area are likely to be contributing factors.

## Future performance of the Group

SIMONA anticipates that Group revenue for the 2021 financial year will be between €400 and 415 million, while the EBIT margin is expected to be between 6 and 8 per cent and the EBITDA margin between 10 to 12 per cent. At Group level, the return on capital employed (ROCE) in 2021 is expected to be between 7 and 8 per cent.

The revenue forecast takes into account the Group's growth strategy centred around a sharpened focus on the market together with the prospect of economic recovery following the more widespread roll-out of COVID-19 vaccination programmes and the subsequent lifting of restrictions. However, as yet, it is impossible to provide a conclusive assessment of the significant distortions seen within the commodity market as an indirect effect of the COVID-19 pandemic in the first and second quarters of 2021. Indeed, the outlook may be impacted by this factor.

The Group's ability to achieve its bottom-line performance target will mainly depend on the direction taken by commodity prices, which will in turn have an influence on the gross profit margin. Overall economic performance may be adversely affected by the rapid increase in commodity prices and disruptions to raw material availability. Moreover, profit margin performance will be heavily dependent on whether the increase in prices can actually be implemented throughout the entire value chain. The direct effects of the COVID-19 pandemic on the general economy continue to be mixed. The impact on the industrial sector is becoming increasingly smaller, while the caravan and interiors sectors are seeing more buoyant demand. By contrast, the aviation sector is still suffering

from the decline in air traffic and is not expected to return to pre-COVID-19 levels until 2025 at the earliest.

## Non-financial indicators

### Customer satisfaction

SIMONA is confident that it can maintain customer satisfaction at the present level thanks to the strengthening of its technical capabilities as well as its focus on new market segments and the core market of industrial products.

### Quality

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

### Employees

The number of employees within the SIMONA Group is likely to remain stable in 2021. Based on the apprenticeship contracts already concluded, the headcount of vocational trainees is expected to be similar to that seen in the preceding year.

### Future performance of SIMONA AG

SIMONA anticipates that revenue for the 2021 financial year will be between €255 and 265 million, while the EBIT margin is expected to be between 3.5 and 5.5 per cent and the EBITDA margin between 4.5 to 6.5 per cent. The return on capital employed (ROCE) in 2021 is expected to be between 5 and 6 per cent. The forecast takes into account the effects of the COVID-19 pandemic to date as well as its projected impact – as described in the Group report on expected developments.

Germany, as a sales region, is expected to see a recovery in its domestic economy, as the effects of the pandemic become less pronounced and growth picks up in general. We also anticipate this for the other regions, i.e. Rest of Europe and Africa, Americas and Asia and Pacific. As in the Group, the direction taken by earnings will depend more on the future trajectory of commodity prices than on the ongoing effects and restrictions associated with the COVID-19 pandemic.

## 5. Other information

### 5.1 Corporate governance statement

The corporate governance statement pursuant to Section 289f of the German Commercial Code (Handelsgesetzbuch – HGB) has been published by SIMONA AG on its corporate website at [www.simona.de](http://www.simona.de).

### 5.2 Compensation report

#### Management Board compensation

The Supervisory Board, based on the recommendations of the Personnel Committee, is responsible for determining the overall compensation of the respective Management Board members. It also regularly reviews the compensation system relating to the Management Board. The Personnel Committee consists of the Supervisory Board Chairman Dr. Rolf Goessler as well as the Supervisory Board members Roland Frobels and Dr. Roland Reber. Compensation for the members of the Management Board of SIMONA AG is calculated on the basis of the size of the company, its commercial and financial position, as well as the level and structure of compensation granted to Management Board members of similar enterprises. In addition, the duties and the contribution of the respective members of the Management Board are taken into account.

Management Board compensation is performance-based. It is comprised of a fixed level of remuneration as well as a variable component. The fixed component of compensation is paid as a salary on a monthly basis. The variable component of compensation is reviewed annually, while the fixed component is assessed once every two years. In addition, both components are subject to thorough analyses in intervals of two to three years, based on a comparison with compensation figures applicable to executive staff of similar enterprises. The variable component of Management Board compensation is based on earnings performance within the Group and a long-term incentive programme. As regards the performance periods 2019 to 2021, average Group NOPAT (net operating profit after tax) is used as the

key performance indicator, calculated on the basis of a three-year performance period. The first performance period encompasses the financial years 2019 to 2021, the second performance period comprises the financial years 2020 to 2022 and the third performance period covers the financial years from 2021 to 2023. Payment occurs subsequent to the adoption of the consolidated financial statements for the final year of the respective performance period. In the financial year under review Management Board compensation included the following components:

#### COMPOSITION OF MANAGEMENT BOARD COMPENSATION

in € '000	2020	2019
Fixed compensation		
Fixed salary and fringe benefits	926	1,140
Variable compensation		
Annual bonus	622	959
Long-term incentive programme		
Period 2017–2019, payment 2020	-	502
Period 2018–2020, payment 2020/2021	119	330
Period 2019–2021, payment 2020	-	126
<b>Total compensation</b>	<b>1,667</b>	<b>3,057</b>

On 10 June 2016, the Annual General Meeting of Shareholders of SIMONA AG agreed by a majority of three-quarters to disclose Management Board compensation in an aggregated format, divided into fixed and performance-related components, rather than disclosing each amount by name. The resolution is valid up to and including the 2020 financial year. Therefore, no individual, i.e. itemised, disclosures are made under Section 285 no. 9 a) sentence 5 to 8 and Section 314(1) no. 6 a) sentence 5 to 8 of the German Commercial Code (Handelsgesetzbuch – HGB).

The company's Articles of Association contain no provisions that are non-compliant with those set out in the German Stock Corporation Act as regards the conditions applicable to the appointment or removal of Management Board members as well as amendments to the company's Articles of Association. In view of this, readers are asked to refer to the relevant statutory provisions set out in Sections 84, 85, 133 and 179 of the German Stock Corporation Act (Aktengesetz – AktG) for further details.

Remuneration for the former members of the Management Board amounts to €466 thousand (previous year: €304 thousand). Pension provisions for active and former members of the Management Board, as governed by the German Commercial Code, were recognised to the full extent and amounted to €13,383 thousand as at the end of the financial year under review (previous year: €12,651 thousand). IFRS-based pension provisions for active and former members of the Management Board were recognised to the full extent and amounted to €18,443 thousand as at the end of the reporting period after netting with the plan assets (previous year: €17,393 thousand).

The members of the Management Board also receive fringe benefits in the form of non-cash remuneration, which mainly consists of a company car, telephone and insurance policies. Members of the Management Board received neither loans or share options nor other share-based compensation from the company.

#### Supervisory Board compensation

Supervisory Board compensation is calculated according to the size of the company, as well as the duties and responsibilities of the Supervisory Board members. The Chairman and the Deputy Chairman as well as members involved in Committees receive supplementary compensation.

Members of the Supervisory Board of SIMONA AG receive a standard fixed level of compensation amounting to €13,000. The Chairman of the Supervisory Board receives an amount equivalent to double the standard level of compensation; the Deputy Chairman receives an amount equivalent to one and a half times the standard level of compensation. Supervisory Board members who are engaged in Committee work receive supplementary fixed compensation of €7,000. All expenses associated directly with a position on the Supervisory Board, as well as sales tax payable on such compensation, are reimbursed.

In addition to fixed compensation, the General Meeting of Shareholders shall be authorised to pass a resolution on a variable component of compensation, payment of which shall be dependent on whether specific corporate performance indicators have been

met or exceeded. At the Annual General Meeting of Shareholders on 5 June 2020 no such resolution for variable compensation components was passed for the 2020 financial year.

Supervisory Board compensation for the financial year under review amounted to €158 thousand (previous year: €156 thousand), of which €140 thousand (previous year: €140 thousand) was attributable to SIMONA AG. Members of the Supervisory Board received neither loans or share options nor other share-based compensation from the company.

### 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 600,000 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.

On 2 December 2020, the Management Board and the Supervisory Board decided to propose a share split in the ratio of 1:10 to the Annual General Meeting on 2 June 2021. The company's share capital is to be redivided in a ratio of 1:10 without issuing new shares, thus increasing the number of shares tenfold (stock split). Subject to the approval of the Annual General Meeting, each shareholder will receive nine additional shares for each share held in SIMONA AG at the reporting date. The shareholder structure and voting rights remain unchanged. Only the notional interest in the share capital per share will be divided into ten parts.

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

No shareholdings were reported by the members of the Management Board as at 5 June 2020. The members of the Supervisory Board reported holdings of 1,300 shares as at the attendance date of the Annual General Meeting on 5 June 2020, 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 (Aktengesetz – AktG) as well as by Section 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 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) and various specialist materials. The production methods applied within this area range from extrusion, pressing and injection moulding to CNC manufacturing. SIMONA also maintains its own plastics workshop for the production of customised fittings.

Semi-finished products are deployed mainly within the area of chemical tank and equipment construction, mechanical engineering, the transport industry, the construction sector, the exhibition and display sector as well as the automotive and aerospace industry. Pipes and fittings are used primarily for drinking-water supply, sewage disposal and industrial piping systems, including the chemical process industry.

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 in greater detail 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 meeting future requirements by means of 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 surveillance and recertification audits. In 2019, SIMONA joined the „Zero Pellet Loss“ initiative organised by Industrieverband Halbzeuge und Konsumprodukte aus Kunststoff e.V. (pro-K). „Zero Pellet Loss“ is part of a global initiative launched by the plastics industry. Plastic associations around the world are participating in this initiative under the names „Zero Pellet Loss“ and „Operation Clean Sweep“ to prevent the loss of plastic pellets along the entire supply chain. Through its membership, SIMONA also participates in projects aimed at preventing marine litter. A prerequisite for participation was that SIMONA should create the necessary technical and organisational conditions at its facilities to prevent pellet spillage. The package of measures also includes staff training and regular monitoring of effectiveness.

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

SIMONA disposes of waste that cannot be returned to the production cycle in accordance with the provisions of the German Circular Economy Act (Kreislaufwirtschaftsgesetz). Waste is mainly recycled in-house or passed on to external recycling firms. All waste disposal companies used 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.

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. 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.

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.

### Energy issues

A certified energy management system in accordance with the requirements of ISO 50001:2018 forms part of the company's central policies. This international standard for the energy management system is designed to help certified companies to develop systems and processes to become more energy-efficient. Adopting a systematic approach in order to introduce, implement, maintain and improve an energy management system is intended to enable companies to continuously improve their performance as regards energy management, energy efficiency and energy saving. The standard 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.

SIMONA has adopted an energy management system at its sites in Kirn and Ringsheim in Germany and Litvinov in the Czech Republic and ensures compliance with its requirements through surveillance and recertification audits. The last successful recertification took place in 2020 and is valid until 2 December 2023.

Material risks associated with SIMONA's business activities that could be very likely to have a serious negative impact on energy issues relate to the consumption of resources and the production of emissions. SIMONA manages these risks with measures designed to improve energy efficiency and reduce emissions. The company assesses its energy consumption and efficiency by

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means of energy performance indicators (ENPIs), which compare consumption data with the relevant production volumes. Key objectives in the field of energy management are increasing energy efficiency and cutting consumption.

## Personnel matters

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

For instance, the company has made health and safety at work a priority and has introduced a „Vision Zero“ (referring to the number of occupational accidents) action plan. This is a multi-year concept for the sustainable reduction of occupational accidents, consisting of an extensive range of individual measures. The execution of these measures was also defined as a target in the Balanced Scorecard for the European sites. 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, Health Days). An interdisciplinary task force was established to manage hygiene and infection control activities during the COVID-19 pandemic.

A keen supporter of diversity and equal opportunities for all its employees, SIMONA had, upon introduction of statutory regulations governing such target figures, set itself the target in 2015 of appointing female executives to 20 per cent of positions at the level below the SIMONA AG Management Board. As this target was met at the first scheduled date of review, a new target of 25 per cent was set in 2018.

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

SIMONA regularly seeks its employees' opinions in anonymous staff surveys and uses the results to devise tangible measures to improve staff satisfaction. 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 needs are determined based on these annual PDRs. Feedback from training courses attended is evaluated systematically.

In 2021, SIMONA will roll out at an international level the project management training concept initiated last year, in addition to conducting training sessions to develop candidates identified as part of succession planning for key positions.

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

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

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

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

### Human rights

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

### 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. 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.

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.

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## **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. 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.

## **Forward-looking statements and forecasts**

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

## Responsibility Statement

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

Kirn, 31 March 2021

SIMONA Aktiengesellschaft  
The Management Board

Matthias Schönberg      Dr. Jochen Hauck      Michael Schmitz

## Balance Sheet of SIMONA AG for the Financial Year 2020

ASSETS (in €'000)		31/12/2020	31/12/2019
<b>A. NON-CURRENT ASSETS</b>			
<b>I. Intangible assets</b>	Industrial property rights and similar rights and assets as well as licences in such rights and assets	322	493
		<b>322</b>	<b>493</b>
<b>II. Property, plant and equipment</b>	1. Land, land rights and buildings	3,679	2,759
	2. Technical equipment and machinery	496	567
	3. Other equipment, operating and office equipment	4,258	4,701
	4. Prepayments and assets under construction	1,322	216
		<b>9,755</b>	<b>8,243</b>
<b>III. Financial assets</b>	1. Investments in affiliated companies	111,079	103,854
	2. Loans to affiliated companies	29,745	31,623
	3. Other long-term equity investments	23	23
		<b>140,847</b>	<b>135,500</b>
		<b>150,924</b>	<b>144,237</b>
<b>B. Current assets</b>			
<b>I. Inventories</b>	1. Raw materials, consumables and supplies	484	592
	2. Finished goods and merchandise	24,178	23,218
	3. Prepayments for inventories	29	29
		<b>24,691</b>	<b>23,840</b>
<b>II. Receivables and other assets</b>	1. Trade receivables	20,708	21,759
	2. Receivables from affiliated companies	25,494	45,044
	3. Receivables from other long-term investees and investors	838	427
	4. Other current assets	2,017	4,777
		<b>49,058</b>	<b>72,006</b>
<b>III. Cash in hand and bank balances</b>		<b>52,912</b>	<b>34,828</b>
		<b>126,661</b>	<b>130,673</b>
<b>C. Prepaid expenses</b>		<b>434</b>	<b>168</b>
		<b>278,019</b>	<b>275,078</b>

EQUITY AND LIABILITIES (in € '000)		31/12/2020	31/12/2019
<b>A. EQUITY</b>			
I.	Subscribed capital	15,500	15,500
II.	Capital reserves	15,032	15,032
III.	Revenue reserves		
	1. Legal reserves	397	397
	2. Statutory reserves	2,847	2,847
	3. Other revenue reserves	150,977	143,344
IV.	Unappropriated surplus	11,586	9,953
		<b>196,339</b>	<b>187,072</b>
<b>B. PROVISIONS</b>			
1.	Provisions for pensions	41,098	39,550
2.	Provisions for taxes	4,796	1,651
3.	Other provisions	4,615	5,392
		<b>50,509</b>	<b>46,593</b>
<b>C. LIABILITIES</b>			
1.	Liabilities to banks	11,855	15,280
2.	Trade payables	2,381	2,963
3.	Liabilities to affiliated companies	14,064	19,875
4.	Other liabilities		
	(of which taxes €230 thousand; previous year €289 thousand)	2,873	3,294
	(of which relating to social security €861 thousand; previous year €826 thousand)		
		<b>31,171</b>	<b>41,412</b>
		<b>278,019</b>	<b>275,078</b>

## Income Statement of SIMONA AG for the Financial Year 2019

in TEUR		01/01-31/12/2020	01/01-31/12/2019
1.	Revenue	271,347	289,043
2.	Reduction/increase in finished goods	0	-78
		<b>271,347</b>	<b>288,965</b>
3.	Other operating income	2,835	4,731
	of which from currency translation €771 thousand; prev. year €2,655 thousand)		
4.	Cost of materials	-191,501	-223,227
	a) Cost of raw materials, consumables and supplies and of purchased merchandise		
	b) Cost of services purchased	-274	-333
		<b>-191,775</b>	<b>-223,560</b>
5.	Staff costs	-20,465	-21,088
	a) Wages and salaries		
	b) Social security, post-employment and other employee benefit costs (of which in respect of old-age pensions €-1,055 thousand; prev. year €-721 thousand)	-4,478	-4,150
		<b>-24,943</b>	<b>-25,238</b>
6.	Depreciation, amortisation and write-downs of property, plant and equipment as well as intangible assets	-1,662	-1,681
7.	Other operating expenses	-36,983	-32,704
	(of which from currency translation €-3,288 thousand; prev. year €-223 thousand)		
8.	Income from equity investments	5,567	5,818
	(of which from affiliated companies €5,567 thousand; prev. year €5,818 thousand)		
9.	Other interest and similar income	1,144	2,038
	(of which from affiliated companies €999 thousand; prev. year €1,937 thousand)		
10.	Expenses from the transfer of losses	-1	-1
11.	Interest and similar expenses	-3,798	-4,378
	(of which from affiliated companies €-79 thousand; prev. year €-85 thousand)		
	(of which from discounting €-3,502 thousand; prev. year €-4,006 thousand)		
12.	Taxes on income	-6,446	-4,217
<b>13.</b>	<b>Result after taxes</b>	<b>15,285</b>	<b>9,771</b>
14.	Other taxes	-19	-21
<b>15.</b>	<b>Profit for the year</b>	<b>15,266</b>	<b>9,751</b>
16.	Unappropriated retained earnings brought forward	3,953	5,078
17.	Allocation to revenue reserves	-7,633	-4,875
<b>18.</b>	<b>Unappropriated surplus</b>	<b>11,586</b>	<b>9,953</b>

# Notes to Financial Statements of SIMONA AG for the Financial Year 2020

## General information

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

As at the end of the reporting period on 31 December 2020, SIMONA AG was categorised as a large corporation within the meaning of Section 267 of the German Commercial Code (Handelsgesetzbuch – HGB). The financial year shall correspond to the calendar year.

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

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

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

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

## Significant accounting policies

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

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

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

**Property, plant and equipment** are initially recorded at cost of purchase and, to the extent that their useful lives are finite, their carrying amounts are reduced by systematic straight-line depreciation. Assets relating to property, plant and equipment are written down according to their estimated useful lives of 3 to 20 years. Depreciation on additions to property, plant and equipment is performed pro rata temporis. Items of property, plant and equipment whose cost of purchase or conversion is in excess of €150, but not in excess of €1,000, are accounted for in an annual collective item in the year of addition. This collective item is subject to depreciation in the year it was formed as well as in the subsequent four financial years, in each case at a rate of one-fifth. Following full depreciation, the collective items are derecognised. Advance payments are carried at their nominal values.

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

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

The cost of purchase or conversion of raw materials, finished goods and merchandise is determined on the basis of the LIFO method. The differences in these amounts to those resulting from measurement on the basis of the exchange price or the market price at the end of the reporting period have been presented as part of the explanatory notes to the balance sheet.

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

# Grow Together

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

**Receivables and other assets** are carried at their nominal values (cost of purchase). All items subject to risk are written down on an item-by-item basis. Where items are subject to a general credit risk, a general allowance is recognised. Non-interest-bearing other assets with a term of more than one year have been discounted using an interest rate appropriate to the remaining term.

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

**Prepaid expenses** include payments for expenses in respect of subsequent years.

**Subscribed capital** is carried at its nominal value.

The **provisions for pensions** are determined in accordance with actuarial principles by applying the projected unit credit method on the basis of „Richttafeln 2018 G“ (actuarial mortality assumptions) published by Prof. Dr. Klaus Heubeck. With regard to the discount rate, as in the previous year the average market rate for the past ten years (with a remaining term of fifteen years), amounting to 2.30 per cent (previous year: 2.71 per cent), was applied. As in the previous year, expected increases in salaries were accounted for with an interest rate of 2.50 per cent, while the trend in respect of the contribution assessment ceiling for social insurance was accounted for with an interest rate of 2.00 per cent and expected pension increases with 1.87 per cent. Due to its minor significance, no staff turnover, i.e. fluctuation, rate was applied. The difference between the pension provisions recognised by the company and provisions calculated on the basis of an average interest rate for the last seven and ten annual periods is €-4,796 thousand (prev. year: €-4,834 thousand).

Reinsurance policies exist in connection with pension obligations. These are plan assets in accordance with Section 246(2) HGB. The provision is the net amount of the actuarial present value of the obligation and the fair value of the plan assets set up to cover it;

the fair value generally corresponds to the market value of the plan assets that have been offset.

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

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

Other provisions include, among other items, provisions for anniversary benefits. The valuation of the anniversary provisions was carried out in accordance with the provisions of commercial law using the projected unit credit method. The 2018G mortality tables of Heubeck AG serve as the basis for calculation, with a flat interest rate of 2.30 per cent p.a. calculated in accordance with Section 253(2) sentence 2 HGB (prev. year: 2.71 per cent p.a.) and the assumption of salary increases as in the previous year of 2.50 per cent p.a.

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

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

## Currency translation

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

## Notes to balance sheet

### Non-current assets

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

### Details of shareholdings

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

As regards the foreign entities, information pertaining to equity and earnings has been taken from the data used in connection with the consolidated IFRS financial statements as at 31 December 2020 (so-called Handelsbilanz II, i.e. single-entity financial statements adjusted/restated for uniform group accounting policies). Entities' foreign-currency equity is translated at the closing rate, while entities' foreign-currency earnings are translated at the average rate of the financial year.

In the year under review, 74.93 per cent of the interests in SIMONA Stadpipe AS, Stadlandet/Norway, as well as 100 per cent of SIMONA Stadpipe Eiendom AS, Stadlandet/Norway, were acquired. Interests in affiliated companies increased in the amount of the acquisition costs and incidental costs totalling EUR 7,226 thousand.

### Loans to affiliated companies

This item includes loans to SIMONA AMERICA Group Inc. (€18,336 thousand) and SIMONA ASIA Ltd. (€11,026 thousand). In addition, the item includes a loan to the subsidiary SIMONA Stadpipe AS acquired in 2020 in the amount of €383 thousand.

## Inventories

Inventories of raw materials, finished goods and merchandise are measured on the basis of the LIFO method. LIFO valuation of finished goods and merchandise is carried out without taking into account write-downs due to long holding periods and diminished usability. Inventories are presented according to appropriate groups, which are then valued at the lower of cost and net realisable value. The difference arising from the application of this method compared with the average cost method, leading to a reduction in inventories, was €10,165 thousand (prev. year: €11,998 thousand).

### Receivables and other assets

Essentially, as was the case in the previous year, all receivables and other assets, with the exception of those items described below, have maturities of under one year.

The receivables from affiliated companies relate to trade receivables (€20,724 thousand, prev. year: €35,613 thousand), receivables in respect of profit transfers by entities established in the corporate form of partnerships (€3,749 thousand, prev. year: €8,393 thousand), and loans (€1,021 thousand, prev. year: €1,038 thousand). The total amount of loans with a remaining term of more than one year was €1,021 thousand (prev. year: €1,038 thousand).

The receivables from other long-term investees and investors, amounting to €838 thousand (prev. year: €427 thousand), are attributable to payments made within the context of post-employment benefits.

The other assets mainly include sales tax receivables of €1,559 thousand.

As in the previous financial year, there were no other assets with a remaining term of more than one year.

## Equity

As in the previous year, share capital amounted to €15,500,000 and consisted of 600,000 bearer shares. Share capital is in the form of no-par-value shares („Stückaktien“).

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

The unappropriated surplus („Bilanzgewinn“, i.e. the distributable profit) includes €3,953 thousand in unappropriated retained earnings brought forward. In the financial year under review, a total of €7,633 thousand was allocated to other revenue reserves as prescribed by the Articles of Association. In addition, please refer to the proposed appropriation of profits.

## Provisions for pensions and similar obligations

The disclosure of the pension provision in the balance sheet in the amount of €41,098 thousand (prev. year: €39,550 thousand) is made after offsetting the existing plan assets in the amount of €249 thousand (prev. year: €40 thousand).

SIMONA Sozialwerk GmbH, Kirn, operates as a pension fund, governed by German law, for the purpose of funding the indirect pension obligations for SIMONA AG. As at 31 December 2020, the company recorded a deficit of €43,213 thousand (ten-year interest rate) and €56,274 thousand (seven-year interest rate); this deficit does not necessitate mandatory recognition as a liability.

## Other provisions

Other provisions were recognised primarily in respect of personnel-related provisions of €3,898 thousand (prev. year: €4,050 thousand). Warranty obligations amount to €0 thousand (prev. year: €141 thousand).

## Liabilities

Bank borrowings again include loans of €3,425 thousand (prev. year: €3,425 thousand) with a remaining term of less than one year and loans of €8,430 thousand (prev. year: €11,855 thousand) with a remaining term of more than one year. As in the previous year, there were no bank borrowings with a remaining term of more than five years. As in the previous financial year, there were no bank overdrafts due within one year.

Liabilities to affiliated companies relate to trade payables due within one year (€10,435 thousand, prev. year €17,629 thousand).

As in the previous year, trade payables and other liabilities are due within one year.

As in the previous year, all liabilities are unsecured.

## Deferred taxes

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

## Contingencies

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

As collateral for third-party liabilities, SIMONA AG issued a Letter of Comfort for the purpose of securing commodity deliveries. The liabilities of SIMONA Produktion Kirn GmbH & Co. KG, Kirn, and SIMONA Produktion Ringsheim GmbH & Co. KG, Ringsheim, towards suppliers amounted to €2,315 thousand in total as at 31 December 2020.

As collateral for third-party liabilities, SIMONA AG issued a payment guarantee covering a nominal amount of €3,260 thousand for the purpose of securing commodity deliveries. Trade payables

of SIMONA AMERICA Industries LLC and SIMONA Boltaron Inc. amounted to €813 thousand in total as at 31 December 2020.

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

SIMONA Sozialwerk GmbH, Kirn, operates as a pension fund, governed by German law, for the purpose of funding the indirect pension obligations for SIMONA AG. This results in contingent liabilities as at the balance sheet date. The reporting company remains directly obligated to the extent that the assets of the pension fund are insufficient to meet the obligations. Given the current financial resources of SIMONA Sozialwerk GmbH, the risk of a claim arising from these indirect pension obligations is considered to be low.

## Notes to income statement

### Revenue

Revenue by region:

	2020		2019	
	€ '000	%	€ '000	%
Germany	109,271	40.3%	116,730	40.4%
Rest of Europe and Africa	142,087	52.3%	150,409	52.0%
Americas	6,252	2.3%	7,443	2.6%
Asia & Pacific	13,737	5.1%	14,461	5.0%
	<b>271,347</b>	<b>100.0%</b>	<b>289,043</b>	<b>100.0%</b>

Revenue by product area:

	2020		2019	
	€ '000	%	€ '000	%
Semi-Finished Products	169,181	62.3%	182,399	63.1%
Pipes and Fittings	81,931	30.2%	86,288	29.9%
Services and Other	20,235	7.5%	20,356	7.0%
	<b>271,347</b>	<b>100.0%</b>	<b>289,043</b>	<b>100.0%</b>

### Other operating income

Other operating income mainly includes income from claims (€662 thousand; prev. year: €19 thousand), the derecognition of expired liabilities (€169 thousand; prev. year: €282 thousand), the reduction of the general bad debt allowance (€636 thousand), other income not attributable to the accounting period (€0 thousand; prev. year: €109 thousand) and from the reversal of provisions (€210 thousand; prev. year: €134 thousand).

### Other operating expenses

Other operating expenses result primarily from expenses for outgoing freight (€10,161 thousand; prev. year: €10,781 thousand), maintenance expenses (€1,704 thousand; prev. year: €1,648 thousand), expenses for packaging materials (€2,978 thousand; prev. year: €3,231 thousand), rental expenses (€3,277 thousand; prev. year: €3,277 thousand), legal and consulting fees (€4,258 thousand; prev. year: €3,630 thousand), occupancy costs (€598 thousand; prev. year: €493 thousand) and advertising costs (€567 thousand; prev. year: €1,026 thousand). Expenses not attributable to the accounting period relate to the derecognition of receivables (€10 thousand; prev. year: €194 thousand). In addition, a debt waiver of €2,151 thousand was issued to the subsidiary SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd, Jiangmen, China, in the year under review, which resulted in other operating expenses.

### Expenses from loss transfer

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

### Interest and similar expenses

Within interest and similar expenses, interest income from the plan assets of pension obligations in the amount of €7 thousand (prev. year: €0 thousand) was netted with interest expenses from pension provisions in the amount of €3,474 thousand (prev. year: €3,979 thousand) in accordance with Section 246(2) sentence 2 HGB. The resulting balance of €3,481 thousand (prev. year: €3,979 thousand) is presented under interest and similar expenses.

### Taxes on income

Income taxes are attributable to the result before taxes in the financial year under review. This item includes tax income of €181 thousand (prev. year: income expense of €542 thousand) that relates to previous financial years.

## Other disclosures

### Off-balance-sheet transactions

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

Other financial commitments

	€ '000
Commitments from rental and lease agreements	
Due 2021	1,992
Due after 2021	396
	<b>2,388</b>

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

The order commitments are attributable to investment orders in the amount of €361 thousand.

The estimated outflow of funds resulting from the put/call option agreed with SIMONA Stadpipe AS as part of the corporate transaction for the acquisition of the interests remaining with the minority shareholder amounts to €8.4 million. This is categorised as other financial obligations towards the minority shareholder of SIMONA Stadpipe AS.

### Related-party transactions

Dr. Roland Reber, member of the Supervisory Board of SIMONA AG, is also the Managing Director of Ensinger GmbH; Nufringen. In the financial year under review, product sales amounting to €2,031 thousand (prev. year: €1,865 thousand) were transacted between SIMONA AG and the entities of the Ensinger Group. The two entities maintain business relations with each other on arm's length terms.

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

## Governing bodies and compensation

### Management Board

**Matthias Schönberg**, Oberursel,  
Diplom-Kaufmann, (Chairman of the Board/CEO),

**Responsible for the areas:**

- HR & Legal
- Marketing & Communication
- Investor Relations
- Strategic Business Development
- M&A, Strategic Projects
- USA and Asia-Pacific

**Michael Schmitz**, Sprendlingen,  
Bankkaufmann

**Responsible for the areas:**

- Finance
- Controlling
- Taxes
- Purchasing
- IT & Organisation
- Quality Management
- Property Management

**Dr. Jochen Hauck**, Mainz,  
Diplom-Ingenieur

**Responsible for the areas:**

- Sales EMEA
- Supply Chain Management
- Global Business Lines
- Global Business Process Management
- Global Process Development
- Research and Development
- Occupational Safety and Energy

**Matthias Schönberg** performs supervisory duties within the following companies of the SIMONA Group:

- SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain
- SIMONA POLSKA Sp. z o.o., Wrocław, Poland
- SIMONA ASIA PACIFIC PTE. LTD, Singapore, Singapore
- SIMONA ASIA LIMITED, Hong Kong, China
- SIMONA FAR EAST LIMITED, Hong Kong, China
- SIMONA ENGINEERING PLASTICS TRADING (SHANGHAI) CO., LTD. Shanghai, China
- SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China

**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

**Dr. Jochen Hauck** performs supervisory duties within the following companies of the SIMONA Group:

- 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
- SIMONA Stadpipe AS, Stadlandet, Norway

## Supervisory Board

**Dr. Rolf Goessler**, Bad Dürkheim,  
Diplom-Kaufmann (Chairman)

### Other supervisory board mandates:

- Member of the Supervisory Board of J. Engelsmann AG, Ludwigshafen

**Roland Frobel**, Isernhagen, Tax Consultant  
(Deputy Chairman)

### Other supervisory board mandates:

- Member of the Supervisory Board (Deputy Chairman) of Hannover 96 GmbH & Co. KGaA, Hannover
- Member of the Supervisory Board of GBK Beteiligungen AG, Hannover

**Dr. Roland Reber**, Stuttgart,  
Managing Director of Ensinger GmbH, Nufringen

**Martin Bücher**, Biberach,  
Bankkaufmann

- Chairman of the Executive Board of Kreissparkasse Biberach, Biberach

### Other supervisory board mandates:

- Member of the Advisory Board of BW Global Versicherungsmakler GmbH
- Deputy Supervisory Board Member of BW Bank
- Member of the Supervisory Board of Öchsle Bahn AG

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

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

## Total Management Board compensation

Total Management Board compensation for the 2020 financial year amounted to €1,667 thousand, of which €741 thousand was attributable to variable components.

Beyond that, no other compensation or loans were granted.

In accordance with Section 286(5) HGB and pursuant to a resolution passed by the Annual General Meeting on 10 June 2016, which remains valid up to and including the 2020 financial year, compensation has not been presented individually in an itemised format subdivided into fixed and performance-related components as well as components with a long-term incentive.

## Total Supervisory Board compensation

Supervisory Board compensation comprises remuneration in respect of supervisory board duties (€97.5 thousand) and remuneration for committee work performed by Supervisory Board members (€42.0 thousand). Total Supervisory Board compensation amounted to €139.5 thousand in the financial year under review, itemised as follows:

	€ '000
Dr. Rolf Goessler	40.0
Roland Frobel	33.5
Dr. Roland Reber	27.0
Martin Bücher	13.0
Andy Hohlreiter	13.0
Markus Stein	13.0
	<b>139.5</b>

## Compensation and pension provisions for former members of the Management Board and the Supervisory Board

Compensation relating to former members of the Management Board amounted to €466 thousand.

Full allocations have been made to pension provisions for former members of the Management Board. As at 31 December 2020, these amounted to €13,377 thousand.

## Employees

Average number of employees in the financial year:

	2020	2019
Industrial staff	101	111
Clerical staff	232	233
<b>Employees</b>	<b>333</b>	<b>344</b>
School-leavers (apprentices)	53	53
	<b>386</b>	<b>397</b>

## Appropriation of profits

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

	€ '000
Net profit for the year	15,266
Unappropriated retained earnings brought forward	3,953
Appropriation to other revenue reserves in accordance with the Articles of Association	-7,633
Unappropriated surplus	11,586
Dividend (€12.00 per share)	-7,200
Carried forward to new account	<b>4,386</b>

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

In accordance with Section 161 AktG, the company filed a Declaration of Conformity for 2020 on 3 April 2020. It has been made permanently available and publicly accessible to shareholders on its corporate website at [www.simona.de](http://www.simona.de).

## Ownership interests

Reported shareholdings in the company were as follows:

	Voting power as at 31 Dec. 2020 in respect of SIMONA AG in %
Dr. Wolfgang und Anita Bürkle Stiftung, Kirn	31.19
Kreissparkasse Biberach, Biberach	15.04
Dirk Möller, Kirn	11.64
Rossmann Beteiligungs GmbH, Burgwedel	11.42
Regine Tegtmeyer, Nebel	11.25
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn	10.00

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

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

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

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

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

### Group relationship

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

### Audit fees

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

Non-audit services provided by our auditor totalled €91 thousand in 2020 and relate to tax consultancy services.

### Events after the reporting period

With the exception of the acquisition of a 70 per cent interest in MT Plastik AS, Düzce, Turkey, with effect from 1 February 2021, no events of particular significance occurred between the end of the 2020 financial year and the preparation of this report.

### Responsibility Statement

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

Kirn, 31 March 2021

SIMONA Aktiengesellschaft  
The Management Board

Matthias Schönberg      Dr. Jochen Hauck      Michael Schmitz

## Statement of Changes in Fixed Assets of SIMONA AG for the Financial Year 2020

in TEUR	COST OF PURCHASE				31/12/ 2020 €'000
	01/01/ 2020 €'000	Additions €'000	Disposals €'000	Reclassifications €'000	
<b>I. Intangible assets</b>					
Industrial property rights and similar rights and assets as well as licences in such rights and assets	8,273	86	173	53	8,240
	<b>8,273</b>	<b>86</b>	<b>173</b>	<b>53</b>	<b>8,240</b>
<b>II. Property, plant and equipment</b>					
1. Land, land rights and buildings	3,201	994	0	0	4,195
2. Technical equipment and machinery	1,414	0	0	0	1,414
3. Other equipment, operating and office equipment	18,295	628	3,439	163	15,647
4. Prepayments and assets under construction	216	1,322	0	-216	1,322
	<b>23,126</b>	<b>2,944</b>	<b>3,439</b>	<b>-53</b>	<b>22,578</b>
<b>III. Financial assets</b>					
1. Investments in affiliated companies	109,195	7,226	0	0	116,420
2. Loans to affiliated companies	37,593	383	2,260	0	35,715
3. Other long-term equity investments	23	0	0	0	23
	<b>146,811</b>	<b>7,608</b>	<b>2,260</b>	<b>0</b>	<b>152,158</b>
	<b>178,210</b>	<b>10,638</b>	<b>5,872</b>	<b>0</b>	<b>182,976</b>

ACCUMULATED DEPRECIATION/ AMORTISATION/WRITE-DOWNS			NET CARRYING AMOUNTS		
01/01/ 2020 in € '000	Additions in € '000	Disposals in € '000	31/12/ 2020 in € '000	31/12/ 2020 in € '000	31/12/ 2019 in € '000
7,781	311	173	7,919	322	493
<b>7,781</b>	<b>311</b>	<b>173</b>	<b>7,919</b>	<b>322</b>	<b>493</b>
442	75*	0	517	3,679	2,759
847	71	0	918	496	567
13,594	1,206	3,411	11,389	4,258	4,701
0	0	0	0	1,322	216
<b>14,882</b>	<b>1,352*</b>	<b>3,411</b>	<b>12,823</b>	<b>9,755</b>	<b>8,243</b>
5,341	0	0	5,341	111,079	103,854
5,971	0	0	5,971	29,745	31,623
0	0	0	0	23	23
<b>11,312</b>	<b>0</b>	<b>0</b>	<b>11,312</b>	<b>140,847</b>	<b>135,500</b>
<b>33,975</b>	<b>1,662</b>	<b>3,584</b>	<b>32,054</b>	<b>150,924</b>	<b>144,237</b>

\* From currency translation

## Details of Shareholdings of SIMONA AG for the Financial Year 2019

Company	Ownership interest	Equity	Profit/loss of last financial year
	%	€ '000	€ '000
<b>Directly</b>			
SIMONA Beteiligungs-GmbH, Kirn (*)	100.0	1,834	0
SIMONA Sozialwerk GmbH, Kirn (**)	50.0	12,427	235
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn (**)	50.0	747	759
SIMONA Kirn Produktion GmbH & Co. KG, Kirn	100.0	24,958	450
SIMONA Kirn Management GmbH, Kirn	100.0	25	0
SIMONA Ringsheim Produktion GmbH & Co. KG, Ringsheim	100.0	5,947	205
SIMONA Ringsheim Management GmbH, Ringsheim	100.0	25	0
SIMONA Immobilien GmbH & Co. KG, Kirn	100.0	17,223	3,094
SIMONA Immobilien Management GmbH, Kirn	100.0	26	0
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic	100.0	19,138	1,566
SIMONA-PLASTICS CZ, s.r.o., Prague, Czech Republic	100.0	14	-3
SIMONA Stadpipe AS, Stadlandet, Norway	74.93	8,091	167
SIMONA Stadpipe Eiendom AS, Norway	100.0	1,311	-2
SIMONA POLSKA Sp. z o.o., Wrocław, Poland	100.0	1,350	386
DEHOPLAST POLSKA Sp. z o.o., Kwdizyn, Poland	51.0	980	248
OOO SIMONA RUS, Moscow, Russian Federation	100.0	803	293
SIMONA AMERICA Group Inc., Archbald, USA	100.0	51,381	194
SIMONA ASIA LIMITED, Hong Kong, China	100.0	3,497	-789
SIMONA FAR EAST LIMITED, Hong Kong, China	100.0	849	-80
SIMONA INDIA PRIVATE LIMITED, Mumbai, India	99.99	-109	-201
SIMONA ASIA PACIFIC PTE. LTD., Singapore	100.0	-680	50

Company	Ownership interest	Equity	Profit/loss of last financial year
	%	€ '000	TEUR
<b>Indirectly</b>			
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain	100.0	953	16
SIMONA S.A.S., Domont, France	100.0	812	47
SIMONA S.r.l., Vimodrone, Società UNIPERSONALE, Cologno Monzese (MI), Italy	100.0	896	120
SIMONA UK Ltd., Stafford, United Kingdom	100.0	3,186	506
64 NORTH CONAHAN DRIVE HOLDING LLC, Hazleton, USA	100.0	2,539	0
Power Boulevard Inc., Archbald, USA	100.0	7,166	-30
SIMONA Boltaron Inc., Newcomerstown, USA	100.0	45,329	2,127
DANOI LLC, Akron, USA	100.0	41	0
CARTIERWILSON, LLC, Marietta, USA (***)	25.0	124	690
SIMONA ENGINEERING PLASTICS TRADING (SHANGHAI) CO., LTD. Shanghai, China	100.0	423	13
SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China	100.0	8,461	3,181
SIMONA INDIA PRIVATE LIMITED, Mumbai, India	0.01	-109	-201
SIMONA PMC, LLC, Findlay, USA	100.0	-788	774
Industrial Drive Inc., Findlay, USA	100.0	1	0
SIMONA AMERICA Industries LLC, Archbald, USA	100.0	31,789	3,457
Sandusky Technologies LLC, Fremont, USA	25.0	526	-96

(\*) Control and profit transfer agreement with SIMONA AG

(\*\*) 2019 financial year

(\*\*\*) Preliminary financial data

## Reproduction of the Auditor's Report

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" („Separate report on ESEF conformity"). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

### INDEPENDENT AUDITOR'S REPORTLUSSPRÜFERS

To SIMONA Aktiengesellschaft, Kirn

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

#### Opinions

We have audited the financial statements of SIMONA Aktiengesellschaft, Kirn, which comprise the statement of financial position (balance sheet) as of 31 December 2020 and the statement of profit or loss (income statement) for the financial year from 1 January to 31 December 2020 as well as the notes to the financial statements, including a summary of accounting policies. In addition, we have audited the management report of SIMONA Aktiengesellschaft, which has been combined with the Group management report, for the financial year from 1 January to 31 December 2020. In accordance with German statutory requirements, we have not audited the content of those parts of the management report specified under "Other Information" in this Independent Auditor's Report.

In our opinion, based on our audit findings,

- the accompanying financial statements comply, in all material respects, with the provisions of German commercial law and give a true and fair view of the net assets and financial position of the

Company as at 31 December 2020 and its results of operations for the financial year from 1 January to 31 December 2020 in accordance with German principles of proper accounting, and

- the accompanying management report as a whole provides a suitable view of the Company's position. In all material respects, the management report is consistent with the financial statements, complies with German statutory requirements, and suitably presents the opportunities and risks of future development. Our opinion on the management report does not cover the content in respect of those parts of the management report specified under "Other Information" in this Independent Auditor's Report.

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

#### Basis for opinion

We conducted our audit of the financial statements and management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter referred to as "EU Audit Regulation") as well as the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer – IDW). Our responsibilities under those regulations and guidelines are further described in the "Auditor's responsibilities for the audit of the financial statements and management report" section of our report. We are independent of the Company in accordance with the requirements of European Union law as well as German commercial law and the rules of professional conduct, and we have fulfilled our other ethical responsibilities under German professional law in accordance with these requirements. In addition, pursuant to Article 10(2)(f) EU Audit Regulation, we hereby declare that we did not provide any of the prohibited non-audit services referred to in Article 5(1) EU Audit Regulation. We believe that the audit evidence

we obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements and management report.

### Key audit matters in the audit of the financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

#### 1. Measurement of inventories

Our presentation of this key audit matter has been structured in each case as follows:

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

Hereinafter we present the key audit matter:

#### 1. Measurement of inventories

1. The company's financial statements show inventories of €24.7 million as at 31 December 2020 (previous year: €23.8 million), representing 8.9% (previous year: 8.7%) of total assets. Inventories are measured at the lower of cost or fair value. The assessment of the recoverability of inventories is influenced by significant judgements made by the Legal Representatives, which take into account the expectations regarding the saleability of the various products within the sales markets of SIMONA Aktiengesellschaft, taking into account the potentially higher risks of impairment due to the ongoing effects of the coronavirus crisis. In this context, write-downs are made taking into account the LIFO (last-in-first-out) consumption method, in particular for an above-average storage period, for reduced realisability or for other reasons that have an influence on a lower fair value. Against this backdrop and due to the quantity and turnover rate

of inventories, the complex structure of the various write-down procedures and the associated considerable time required for the audit, this matter was of particular significance within the scope of our audit.

2. As part of our audit, we verified the Company's approach to assessing the recoverability of inventories and assessed its appropriateness. In doing so, we also considered the complex procedures and controls for determining write-downs in respect of length of storage, realisability and other reasons that impact on a lower fair value, in addition to assessing the suitability of the IT-based write-down procedures used by the Company to capture inventory risks. We assessed the write-down rates used in the write-down routines against the background of past experience through analytical comparisons with write-downs carried out in previous years and critically evaluated their appropriateness on the basis of new findings relating to the effects of the coronavirus crisis. We arithmetically verified the computational logic of the applied models on a test basis. On the basis of our audit procedures, we were able to satisfy ourselves that the estimates applied and assumptions made by the Company's Legal Representatives in respect of the recoverability of inventories are substantiated and sufficiently documented.
3. The disclosures by the Company in respect of inventories have been included in the sections "Significant accounting policies" and "Notes to balance sheet" in the notes.

#### Other Information

The Company's Legal Representatives are responsible for the Other Information. The Other Information comprises the following non-audited parts of the management report:

- The declaration of corporate governance pursuant to Section 289f HGB and Section 315d HGB, as presented in section 5.1 of the management report
- The non-financial statement pursuant to Section 289b(1) HGB and Section 315b(1) HGB, as presented in section 6 of the management report.

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

In the context of our audit, our responsibility is to read the Other Information and, in so doing, to consider whether the Other Information

- is materially inconsistent with the financial statements, the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

## **Responsibilities of the Legal Representatives and Supervisory Board for the financial statements and the management report**

The Legal Representatives are responsible for the preparation of financial statements that comply, in all material respects, with German commercial law for the preparation of financial statements that give a true and fair view of the net assets, financial position, and results of operations of the Company in accordance with the German principles of proper accounting. Furthermore, the Legal Representatives are responsible for such internal control as they have determined necessary to enable the preparation of financial statements in accordance with the German principles of proper accounting that are free from material misstatement, whether due to fraud or error.

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

Moreover, the Legal Representatives are responsible for preparing the management report, which as a whole provides a suitable view of the Company's position, and, in all material respects, is consistent with the financial statements, complies with German statutory requirements and suitably presents the opportunities

and risks of future development. Furthermore, the Legal Representatives are responsible for such arrangements and measures (systems) as they determine are necessary to enable the preparation of the management report in compliance with the applicable requirements of German commercial law and for providing sufficient and appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for monitoring the Company's financial reporting process for the preparation of the financial statements and the management report.

## **Auditor's responsibilities for the audit of the financial statements and the management report**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the management report as a whole provides a suitable view of the Company's position, as well as, in all material respects, is consistent with the financial statements and our audit findings, complies with German statutory requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our opinion on the financial statements and the 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 the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer – IDW), will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and this management report.

As part of our audit we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the financial statements and the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the financial statements, and of the arrangements and measures relevant to the audit of the management report, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and management report or, if such disclosures are inadequate, to modify our particular opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view of the net assets, financial position, and results of operations of the Company in accordance with German principles of proper accounting.
- Evaluate consistency of the management report with the financial statements, its legal compliance, and presentation of the Company's position.
- Perform audit procedures on the prospective information presented by the Legal Representatives in the management report. Based on sufficient and appropriate audit evidence, we hereby in particular trace the significant assumptions used by the Legal Representatives as a basis for the prospective information and assess the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information as well as the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly from the prospective information.

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

We also provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

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

## OTHER LEGAL AND REGULATORY REQUIREMENTS

### **Report on the assurance in accordance with Section 317(3b) of the German Commercial Code (HGB) of the electronic reproduction of the financial statements and the management report prepared for the purpose of publication**

#### **Assurance conclusion**

Pursuant to Section 317(3b) HGB, we have performed a reasonable assurance engagement to determine whether the reproductions of the financial statements and the management report (hereinafter also referred to as “ESEF documents”) contained in the attached file “simona 188366.zip” and prepared for publication purposes comply in all material respects with the requirements of Section 328(1) HGB on the electronic reporting format (“ESEF format”). In accordance with German legal requirements, this assurance only covers the conversion of the information in the financial statements and the management report into the ESEF format and therefore relates neither to the information contained in these reproductions nor to any other information contained in the above-mentioned file.

In our opinion, the reproductions of the financial statements and the management report contained in the aforementioned attached file and prepared for the purpose of publication comply in all material respects with the requirements of Section 328(1) HGB regarding the electronic reporting format. Beyond this reasonable assurance opinion and our audit opinions on the accompanying financial statements and the accompanying management report for the financial year from 1 January to 31 December 2020 contained in the preceding “Report on the audit of the financial statements and the management report”, we do not express any opinion on the information contained in these reproductions or on the other information contained in the aforementioned file.

#### **Basis for opinion**

We conducted our assurance work on the reproductions of the financial statements and the management report contained in the above-mentioned attached file in accordance with Section 317(3b) of the German Commercial Code (HGB) and in compliance

with the draft IDW Auditing Standard: Assurance in Accordance with Section 317(3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW EPS 410) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibilities under that standard are further described in the “Auditor’s responsibilities for the assurance work on the ESEF documents” section. Our audit firm applied the standards for the quality assurance system set forth in IDW Quality Control Standard: “Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis” [Requirements for Quality Control in the Practice of Public Auditors] (IDW QS 1).

#### **Responsibilities of the Legal Representatives and Supervisory Board for the ESEF documents**

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

Furthermore, the Company’s Legal Representatives are responsible for the internal controls as they deem necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of Section 328(1) HGB.

The legal representatives of the Company are also responsible for submitting the ESEF documents together with the auditor’s report and the attached audited financial statements and audited management report as well as other documents to be disclosed to the operator of the German Federal Gazette.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

### Auditor's responsibilities for the assurance work on the ESEF documents

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

- Identify and assess the risks of material non-compliance with the requirements of Section 328(1) HGB, whether due to fraud or error, 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 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 valid as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited financial statements and to the audited management report.

### Other disclosures pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor at the annual general meeting held on 5 June 2020. We were engaged by the Supervisory Board on 4 November 2020. We have been the auditor of SIMONA Aktiengesellschaft, Kirn, without interruption since the 2013 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).

### German Public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Michael Rohkämper.

Frankfurt am Main, 31 March 2021

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Michael Rohkämper	ppa. Roman Woll
German Public Auditor	German Public Auditor

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

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**SIMONA AG**

Teichweg 16  
55606 Kirn  
Germany

Phone +49 (0) 675214-0  
Fax +49 (0) 675214-211  
mail@simona.de  
www.simona.de

Follow us on:

