SIMONA

SHAPING THE WORLD

Consolidated Financial Statements 2021

SHAPING
THE WORLD

CONSOLIDATED FINANCIAL STATEMENTS OF SIMONA AG FOR THE 2021 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). 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).

004

Combined Management Report

034

Consolidated Financial Statements

092

Other Details

SHAPING THE WORLD

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, injection moulding and machining as well as the manufacture of customised fittings by the company‘s in-house plastics workshop.

Key sales markets

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

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

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

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

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

Production and sales locations

Sales activities at Group level are conducted by SIMONA AG and subsidiaries in the United Kingdom, Italy, France, Spain, Poland, the Czech Republic, Russia, Hong Kong, China, India, Norway, Turkey 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 seven 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 SIMONA Stadpipe AS, Stadlandet (Norway), plans, produces and installs piping systems for aquaculture applications. SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Düzce (Turkey) produces sheet products. while the site in Jiangmen (China) manufactures sheets. The facility operated by SIMONA AMERICA Industries LLC in Archbald (Pennsylvania, USA) mainly produces sheet products. SIMONA Boltaron Inc. produces thermoplastic sheet products at its plant in Newcomerstown (Ohio, USA), which are primarily used for aircraft interiors and in the building sector. 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.

Management and supervision at SIMONA AG

The Management Board members in the financial year under review were Matthias Schönberg (Chairman/CEO), Michael Schmitz and Dr. Jochen Hauck. SIMONA has established a Global Management Team (GMT) at Group level that consists of the Management Board of SIMONA AG as well as the regional CEOs in the Americas, Adam Mellen, and in Asia-Pacific, Y.K. Wong. The GMT facilitates a regular exchange relating to Group strategy, in addition to managing global projects and driving the process of internationalisation within the company.

The Supervisory Board was composed of the following members in the reporting year: Dr. Rolf Goessler (Chairman until 2 June 2021, resigned 2 June 2021), Dr. Klaus F. Erkes (member and Chairman since 2 June 2021), Roland Frobel (Deputy Chairman until 2 June 2021), Dr. Roland Reber (Deputy Chairman since 2 June 2021), Martin Bücher and, as employee representatives, Andy Hohlreiter and Markus Stein.

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". A target has been set for profitable growth based on an EBIT margin of 6-8 per cent, 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. SIMONA is looking to become the company with the highest degree of end-consumer orientation within its industry. The motto „A Company Like a Friend" emphasises the aspiration of a close and trusting relationship with all stakeholders. This is promoted by well-trained employees, open communication and a culture of feedback.

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 drive consistent process orientation through intensive staff training and development as well as an open culture of communication and feedback.
- Application orientation: SIMONA focuses on core markets and aligns 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.

The achievement of these goals was consistently pursued in 2021. The business lines introduced on 1 January 2021 did the necessary groundwork in their respective market segments, including the task of defining their business strategies. In addition, Global Industry Working Groups (GIWGs) are focusing on fields of application in which the associated market players operate globally and which are expected to deliver considerable market potential. These include rail vehicle interiors, the semiconductor industry and aquaculture. The GIWGs each defined their vision, mission and long-term growth and earnings targets in 2021. In addition, a uniform reporting structure with fixed KPIs was drawn up within this area.

The investment programme associated with the Group's strategic realignment is being implemented as planned. In 2021, one focus was on automating picking operations at the central warehouse in Kirn as well as channelling further investments into measures aimed at raising efficiency levels in the area of production, especially at the Kirn and Ringsheim sites.

SHAPING THE WORLD

In the Americas region, the business strategy relating to the three operating companies continued to focus on new fields of application, the aim being to compensate for the slump in the aircraft interiors business, a market segment that is not expected to return to pre-crisis levels until 2023 at the earliest.

In the Asia-Pacific region, a strategic and operational course was set for a significant expansion in capacity levels at the Jiangmen plant. Additionally, the local sales structures were further adapted to market needs.

1.3 Internal control system

SIMONA uses the Balanced Scorecard (BSC) as a strategic management and monitoring instrument. In this context, the Management Board is responsible for the BSC corporate goals, as well as being accountable for regularly reviewing the efficacy of the BSC process as part of an overall assessment of the management system. The BSC cascades down to the company's other management levels and is applied uniformly worldwide.

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. Although revenue generated from recently developed products (no older than three years) increased overall in 2021, it failed to keep pace with the dynamic development of Group revenue as a whole. Therefore, the share of these „young products" in total revenue decreased in 2021.

As regards process and material development, the focus continued to be on implementing the investment programme aimed at raising efficiency and flexibility levels as part of the Group's strategic realignment. In this context, for instance, the relocation of the first extrusion line for the manufacture of PVC foam sheets to the production site in Düzce, Turkey, marked the start of efforts to establish a centre of excellence for foam products at SIMONA PLASTECH, a company acquired in 2021. At the same time, these measures will free up space at the site in Kirn for the manufacture of products with high growth potential. Additionally, optimisation measures were implemented at the sheet production plant in Kirn for the purpose of improving internal logistics. Among other things, the focus was on introducing direct feeding of the extrusion lines. At the same time, work continued on the establishment of process data acquisition and a machine visualisation system. At the central warehouse in Kirn, meanwhile, a new order picking system was put into operation, which extends the level of automation and thus improves efficiency.

At the pipe and fittings plant in Ringsheim, the storage area was expanded by 5,000 sqm to a total of 35,000 sqm in order to be able to meet stronger demand and adapt to changing market requirements. In addition, investments were directed at the further modernisation of pipe extrusion, primarily by means of an optimised cooling section to increase performance. In the area of injection moulding, capacity was expanded by a new 2,300-tonne system for the production of large fittings. Additionally, investments were made in tools to optimise cycle times and reduce production waste. The plastics workshop saw investments in a new milling centre for machining large fittings, which will be put into operation in 2022.

The plant in Litvinov, Czech Republic, invested in a new saw for SPC pipes in 2021, in addition to improving its storage capacity at the existing site by asphalting an area of approximately 6,000 sqm.

At the plant in Jiangmen, China, the foundation stone was laid for a new production and logistics building that will significantly increase production capacity. Investments were made at the existing plant to expand capacity for the production of sheets and welding rods.

At the SIMONA AMERICA Industries plant in Archbald (Pennsylvania, USA), an extrusion line for special plastics was replaced by a new system. SIMONA Boltaron in Newcomerstown (Ohio, USA) and SIMONA PMC in Findlay (Ohio, USA) invested in the technical improvement of their production machinery.

Product development focused on sustainability aspects within various fields of application. SIMONA developed semi-finished products that can make a positive contribution to environmental protection through the use of mechanical recyclates. In this context, the company ensures that material flows are separated from products requiring approval and conformity marking. Furthermore, synergies with existing projects were used to produce a polypropylene that passes the UL94 fire test with a 5VA fire rating. Due to their low flammability, these products are predestined for use in safety-critical applications such as household appliances or train interiors. In the Water Treatment/Pool market segment of the Industry business line, a new product range for pool linings was developed and rolled out onto market under the brand name SIMOPOOL. In addition, the hollow rod portfolio within the Industry business line was converted to the highly stress crack-resistant material PE 100 RC for applications primarily in mechanical engineering, the aim being to offer customers a product of even higher performance. Following investments in new injection moulds at the pipe and fittings plant, SIMONA was in a position to expand its product range for flanges in the Infrastructure business line. In particular, products with larger dimensions are offered for flange systems used in safety-critical areas. In the Mobility business line, the portfolio for train interiors was expanded to include an anti-graffiti product variant. The Aquaculture business line added a so-called Mortality Box to its product range, which helps to prevent the spread of diseases with the help of a special filter function – a key benefit especially for fish farms with large stocks.

Expenses attributable to research and development within the Group amounted to €5.2 million (previous year: €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

Emerging from a COVID-19-induced recession, the global economy expanded significantly in the period up to mid-2021. However, this was followed by a loss in forward momentum during the second half of the year. The slowdown was attributable to rising COVID-19 cases around the globe, bottlenecks in the supply of many industrial products, rising inflation rates and the faltering Chinese economy. The forecast issued by the International Monetary Fund (IMF) points to global economic growth of 5.9 per cent for the annual period as a whole – after a 3.1 per cent decline in the previous year.

Based on initial estimates, the gross domestic product (GDP) within the eurozone rose by 5.2 per cent in 2021. At 2.7 per cent, growth in Germany lagged significantly behind that of the euro area. Its GDP failed to reach the pre-crisis level. In Germany, capital expenditure on machinery and equipment, which is of key importance to SIMONA‘s business, rose by 3.2 per cent in the year under review – following a double-digit decline in 2020. Economic output in France (+6.7 per cent) and Italy (+6.2 per cent) grew at a much faster rate compared to that in Germany. Having said that, these countries had also been faced with a more pronounced downturn in GDP in 2020. Spain's economy expanded by 4.9 per cent.

The United States saw a speedy recovery from its pandemic-induced malaise. Fuelled by more dynamic consumer spending, capital expenditure on machinery and equipment, exports and investment in inventories, economic output grew by 5.6 per cent in 2021.

Overall, China recorded economic growth of 8.1 per cent in 2021. However, the economy showed signs of significant cooling over the course of the year. Economic growth was underpinned in particular by strong exports. The main concerns were centred around a flagging property market and fears of nationwide lockdowns as a result of the Omicron variant of the COVID-19 virus.

After a significant decline in 2020, revenue generated by the plastics processing industry in Germany increased by 12.6 per cent last year. Business centred around plastics destined for the area of construction and packaging increased at an above-average rate, while growth with regard to plastics used in technical parts and consumer products was weaker. At 15.7 per cent, revenue generated abroad grew at a more pronounced rate than revenue from domestic sales (+10.7 per cent). The export ratio rose by 2.7 to 38.8 per cent. The increase in revenue is mainly due to price effects following the surge in raw material costs. The volume of plastics processed rose by 5.6 per cent to 15 million tonnes.

According to the German Chemical Industry Association (Verband der Chemischen Industrie e.V. – VCI), chemical production rose by 4.5 per cent compared to the previous year, while revenue increased by 15.5 per cent to around €220 billion thanks to a significant upturn in producer prices (+8.5 per cent). This trend is attributable primarily to more buoyant global demand for chemicals as well as for vaccines produced in Germany. Globally, the chemical market is projected to have grown by 4.4 per cent in 2021, based on preliminary estimates. Asia, the world's largest chemical market, recorded the highest rate of growth at 5.9 per cent.

Germany's Mechanical Engineering Industry Association (Verband Deutscher Maschinen- und Anlagenbau e.V. – VDMA) presented a favourable assessment of the sector's performance in the year under review. Based on its projections, production in the field of mechanical and plant engineering is likely to increase by 7 per cent compared to 2020. This figure, however, falls short of original expectations, particularly against the backdrop of substantial order intake, which increased by 34 per cent year on year in the first ten months of 2021. Hopes of higher productivity were dashed by bottlenecks in supply and a shortage of skilled workers. Exports to China became more sluggish over the course of the year due to waning economic momentum, while business in Europe and the USA proved very dynamic.

The principal federations representing the German construction industry anticipate nominal growth of 0.5 per cent to €143.5 billion in 2021. This was driven by residential and commercial construction, while public-sector construction declined significantly due to higher staff costs and social security expenses.

The global market for aircraft interiors recorded significant growth on the back of a pandemic-induced slump of almost 50 per cent in 2021. However, it is still short of its pre-crisis level, which it is not expected to reach until 2023 at the earliest based on an optimistic scenario.

2.2 Course of business – SIMONA Group

Sales revenue totalled €544.5 million in the 2021 financial year (previous year: €389.8 million), which corresponds to revenue growth of 39.7 per cent. All three regions saw a strong surge in revenue in the period under review. Competition remained intense in all regions and product groups. The revenue guidance of €400 to 415 million for 2021, as presented in the previous year's Group management report was exceeded by a substantial margin.

Group earnings before interest and taxes (EBIT) rose to €50.9 million, which was considerably more than the figure of €33.6 million reported in the previous financial year. The EBIT margin stood at 9.3 per cent (previous year: 8.6 per cent). The Group therefore managed to exceed its projected EBIT margin of between 6 and 8 per cent. EBITDA rose from €51.8 million a year ago to €69.5 million at the end of the reporting period. This translates into an EBITDA margin of 12.8 per cent (previous year: 13.3 per cent), which is in excess of the projected EBITDA margin of 10 to 12 per cent. The improvement in the EBIT margin is attributable primarily to an expansion in gross profit, lower staff costs in relation to revenue and a reduction in other expenses.

At 13.3 per cent, Group ROCE was above target (7 to 8 per cent) and also up on the prior-year figure of 11.0 per cent.

In the opinion of the Management Board, business thus developed more favourably than was to be expected amid the uncertainties of the economic situation as a whole.

EMEA

The region comprising EMEA saw sales revenue expand by 37.7 per cent to €352.5 million in total (previous year: €256.7 million). All business lines recorded significant growth in the period under review. Furthermore, compared to the previous year, revenue generated by the Turkish subsidiary SIMONA PLASTECH was consolidated for the first time in 2021, as was revenue of the Norwegian subsidiary SIMONA Stadpipe for the first half of the year. The EMEA region's share of total revenue decreased from 65.9 to 64.7 per cent due to strong growth in revenue generated in the Americas and Asia-Pacific regions. EBIT within the segment covering EMEA rose from €22.7 million in the previous year to €29.8 million in the period under review.

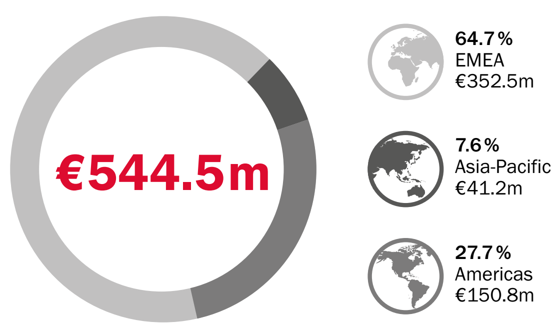
Americas

The region covering the Americas saw revenue surge by 45.2 per cent to €150.8 million (previous year: €103.9 million). This was attributable to the recovery in sales within the market for aircraft interior fittings as well as particularly robust business in the area of industrial products. Business in the interior design and caravans market segments also produced significant forward momentum. Thus, the share of total revenues attributable to this region rose from 26.7 per cent to 27.7 per cent. In the Americas region, EBIT doubled from €8.5 million in the previous year to €17.6 million, thereby almost returning to its pre-crisis level again.

Asia-Pacific

The region covering Asia-Pacific saw revenue grow to €41.2 million (previous year: €29.2 million). In this context, the semiconductor and industry segments of the market proved to be significant growth drivers. Within the area of sheet products, the Group also secured contracts for several major aquaculture projects in Asia. At 7.6 per cent, the region's share of total revenue was comparable to that recorded in the previous year (7.5 per cent). The Asia-Pacific segment recorded EBIT of €3.5 million (previous year: €2.8 million).

REVENUE BY REGION



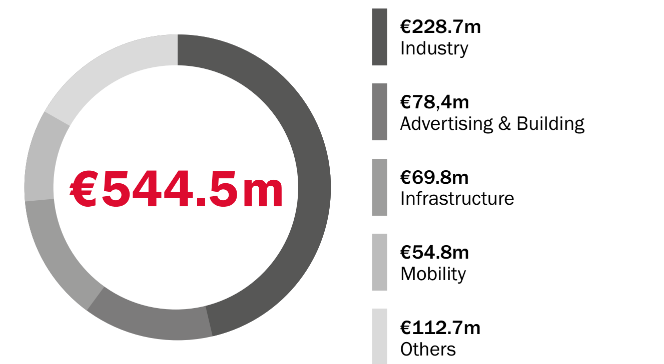
Allocated acc. to place of registered office of revenue-generating business unit

Revenues within the business lines

Effective from 1 January 2021, the company's former divisional separation into the product areas of Semi-Finished Products and Pipes and Fittings was discontinued in favour of an application-oriented structure centred around business lines.

The Industry business line generated revenue of €228.7 million (previous year: €137.3 million), an increase of 66.6 per cent. The Advertising & Building business line achieved revenue of €78.4 million (previous year: €36.6 million; +114.6 per cent). This figure also includes revenue generated by the Turkish subsidiary SIMONA PLASTECH for the first time. The Infrastructure business line recorded an increase in revenue to €69.8 million (previous year: €55.3 million; +26.3 per cent). The Mobility business line generated revenue of €54.8 million (previous year: €13.1 million). The remaining revenues from various other fields of application and trade are summarised under „Others“ and amount to €112.7 million (previous year: €147.5 million).

REVENUE BY BUSINESS LINES



Orders

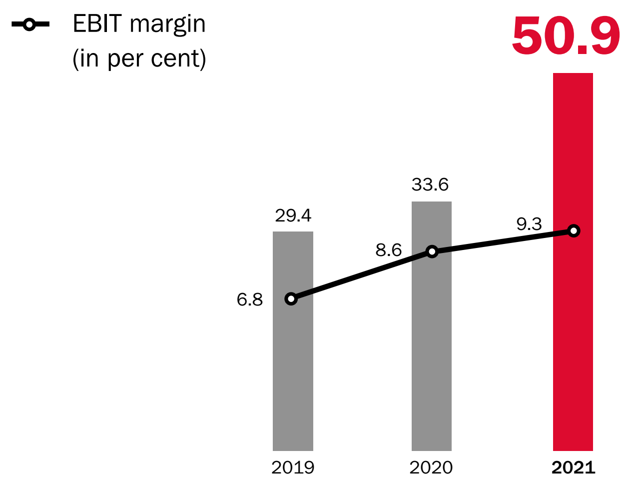
Order backlog within the Group stood at €159.3 million as at 31 December 2021 (previous year: €45.1 million); of this total, a figure of €48.5 million (previous year: €20.9 million) is attributable to SIMONA AG.

2.3 Financial performance

Group EBIT (earnings before interest, taxes and investment income) surged by 51.5 per cent, up from €33.6 million to €50.9 million. At 9.3 per cent, the EBIT margin was up on the figure of 8.6 per cent recorded in the previous financial year. The improvement in Group EBIT is mainly due to the increase in gross profit, although it should be noted that the rate of expansion of the gross margin percentage was lower than that of revenue growth. This was attributable to higher procurement costs for raw materials. In addition, staff costs and other expenses relating to business activities were higher in absolute terms than in the previous year. However, compared to the increase in revenue, they decreased in percentage terms.

With depreciation and amortisation up slightly, this resulted in a nominal improvement in EBITDA (earnings before interest, taxes, depreciation and amortisation) to €69.5 million (previous year: €51.8 million). This corresponds to an EBITDA margin of 12.8 per cent (previous year: 13.3 per cent), The return on capital employed (ROCE) increased from 11.0 per cent in the previous year to 13.3 per cent due to higher earnings.

EBIT (in €m)



Gross profit (revenue, other income, change in inventories of finished goods and work in progress less cost of materials) rose by 17.7 per cent from €209.3 million in the previous year to €246.4 million in the period under review. The gross profit margin stood at 45.3 per cent, compared to a prior-year figure of 53.7 per cent.

The income statement shows an increase in inventories of €9.5 million (previous year: decrease in inventories of -€2.6 million).

Other income amounted to €9.7 million (previous year: €8.8 million; this includes €3.5 million income from the reversal of provisions relating to complaints). The year-on-year increase was driven, among other things, by currency translation income and also includes income of €4.2 million from government grants in the Americas segment (Payroll Protection Program as part of the US government‘s COVID-19 support initiative).

The cost of materials rose to €317.3 million (previous year: €186.6 million). The increase was attributable to the steady and significant rise in commodity prices during the reporting period as well as more expansive business volumes. The cost of energy included in the cost of materials was up by approximately €0.4 million compared to the previous year.

Staff costs stood at €95.3 million (previous year: €87.0 million), up 9.6 per cent on last year‘s figure. The year-on-year change is mainly due to collective wage increases, higher performance bonuses and the addition of new staff in the EMEA and Americas regions. Furthermore, the headcount was up by 76 at the end of the year as a result of the acquisition of the Turkish subsidiary SIMONA PLASTECH.

Depreciation/amortisation of property, plant and equipment, right-of-use assets under lease arrangements and intangible assets, including write-downs, amounted to €18.6 million (previous year: €18.3 million). This includes depreciation of right-of-use assets under lease arrangements totalling €1.0 million.

Other expenses increased year on year, up by 15.7 per cent to €81.6 million (previous year: €70.5 million). The year-on-year change is mainly the result of the revenue-induced increase in expenses for distribution such as commissions, freight and packaging (+€10.2 million) and higher operating costs (+€2.5 million). In contrast, costs relating to legal and consulting services were lower (-€1.6 million) in the period under review.

Taxes on income rose from €7.3 million a year ago to €12.8 million at the end of the reporting period. The Group tax rate stood at 26.0 per cent in the reporting period (previous year: 24.0 per cent). The year-on-year change correlates with the expansion in earnings in particular.

The individual sales companies operating within the segment encompassing EMEA recorded positive earnings in the period under review. All subsidiaries achieved higher earnings contributions compared to the previous year, in some cases by a significant margin. Earnings generated by the production company in the Czech Republic were also up markedly on the prior-year figure. The cost of materials in the EMEA region amounted to €214.0 million (previous year: €128.3 million) and rose at a more pronounced rate in comparison to revenue growth. Both raw material and energy costs increased in the period under review. At €65.9 million, staff costs were up 9.0 per cent on the previous year, mainly due to the first-time inclusion of SIMONA PLASTECH, Düzce. Other expenses totalled €55.4 million (previous year: €51.1 million).

Earnings generated in the Americas more than doubled on the back of buoyant growth in all three units and the recovery of business within the aviation market. The cost of materials amounting to €84.4 million (previous year: €47.6 million) rose mainly in line with the increase in sales volumes. Staff costs stood at €25.2 million (previous year: €23.2 million). At €23.1 million, other expenses were up by €3.9 million compared to the previous year, primarily as a result of higher selling expenses.

The Asia-Pacific region recorded EBIT of €3.5 million (previous year: €2.8 million). Higher earnings are mainly due to an increase in gross profit in absolute terms. Both staff costs and other expenses were up on the prior-year levels. The sales companies operating in the Asia-Pacific region recorded increases in earnings compared to the previous year.

2.4 Financial position

Total Group assets as at 31 December 2021 were €508.5 million, up on the prior-year figure (€448.5 million).

Changes to assets

Intangible assets totalled €55.5 million (previous year: €40.4 million) and mainly consisted of goodwill from the corporate acquisitions in the United States, Norway and Turkey.

Property, plant and equipment amounted to €154.9 million (previous year: €140.8 million). Group capital expenditure on property, plant and equipment totalled €24.9 million (previous year: €20.5 million). Depreciation and write-downs of property, plant and equipment stood at €15.9 million (previous year: €15.4 million).

SHAPING THE WORLD

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

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

Inventories totalled €120.9 million (previous year: €84.9 million). Inventories of raw materials, consumables and supplies rose to €57.2 million (previous year: €31.5 million), primarily as a result of higher prices. Finished goods and merchandise increased from €52.4 million to €61.4 million due to higher volumes and prices.

The increase in trade receivables by €26.2 million to €82.4 million corresponds to the significant growth in revenue.

Non-current and current other assets and tax assets totalled €19.1 million (previous year: €8.6 million).

Other financial assets amounted to €0.3 million (previous year: €1.3 million).

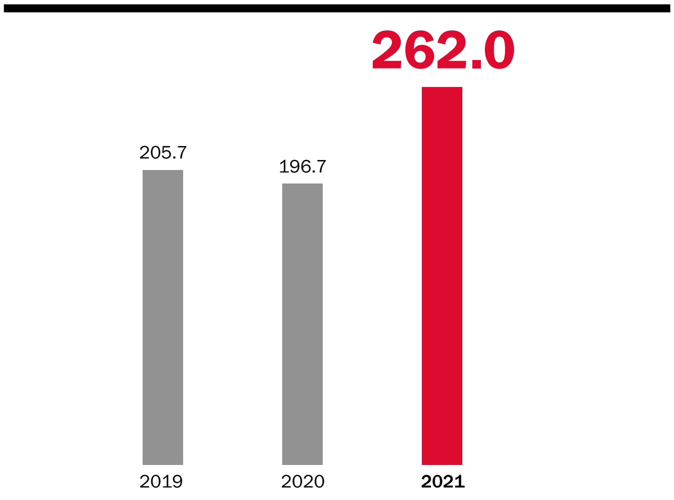
As regards the change in cash and cash equivalents, please refer to the Notes relating to cash flows and cash and cash equivalents.

Changes to equity and liabilities

At the end of the reporting period, equity was higher compared to the previous year, while non-current liabilities decreased and current liabilities increased.

Group equity at the end of the financial year stood at €262.0 million (previous year: €196.7 million). This figure includes annual profit of €36.5 million for 2021 and, contrary to this, the dividend payment of €7.2 million in the 2021 financial year. Group equity improved by €28.6 million, without profit or loss effects, as a result of the remeasurement of pension provisions. This was due to a change in the IFRS actuarial interest rate.

EQUITY (in €m)



The recognition of the call option for the outstanding interests in SIMONA Stadpipe AS, Norway, is recognised in equity in the amount of €11.4 million (previous year: €8.2 million), resulting in an equivalent reduction in equity. As regards the purchase contract for interests in SIMONA Stadpipe AS, a shareholder agreement was concluded in 2020 with the former shareholder, who continues to hold 25.07 per cent of the interests in SIMONA Stadpipe AS. The shareholder agreement includes the right to a put/call option in respect of the purchase of the remaining interests.

The equity ratio for the Group rose from 43 per cent to 52 per cent.

Current and non-current provisions for pensions were lower year on year at €135.7 million (previous year: €172.1 million). Due to the higher IFRS interest rate of 1.21 per cent (previous year: 0.50 per cent), pension provisions were down year on year.

Trade payables amounted to €34.3 million and are almost twice as high as the prior-year figure (€17.4 million), mainly due to the increase in raw material prices.

Current and non-current other financial liabilities totalled €14.5 million (previous year: €10.2 million). This figure includes non-current liabilities from the option described above in the amount of €11.4 million relating to the acquisition of SIMONA Stadpipe AS, Norway, in 2020.

Other liabilities stood at €20.2 million in the period under review (previous year: 18.9 million); they were attributable primarily to management and staff bonus payments as well as deferrals/ accruals relating to invoices and credit notes yet to be received.

In total, non-current (€4.1 million) and current (€2.1 million) other provisions were comparable to the figures recorded in the previous financial year.

Investments

Group capital expenditure on property, plant and equipment totalled €24.9 million (previous year: €20.5 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 €9.0 million at Group level (previous year: €5.1million).

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 €5.0 million due to scheduled repayments. The KfW loans have a term until June 2024 and are fixed-interest. Current financial liabilities amounted to €8.9 million at the end of the reporting period and encompass the short-term proportion of KfW loans as well as the short-term utilisation of credit lines. The credit line is subject to variable interest rates.

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 €36.7 million (previous year: €28.6 million).

Cash flows

In the period under review the inflow of cash from operating activities (gross cash flow) was €14.5 million (previous year: €56.1 million). The decrease results from higher advance tax payments due to increased earnings assumptions for the reporting year as well as higher inventories and trade receivables. The cash outflow from investing activities was €39.8 million (previous year: €26.6 million), of which €25.0 million was for investments in property, plant and equipment and €15.4 million for the acquisition of subsidiaries. Net cash used in financing activities was €7.8 million (previous year: €10.3 million) and mainly consisted of the outflow in connection with dividend payments, the scheduled repayment of KfW loans and, contrary to this, the inflow from the utilisation of short-term credit lines.

Cash and cash equivalents

The Group's cash and cash equivalents totalling €54.1 million (previous year: €85.3 million) mainly consist of short-term bank deposits. The reduction by -€31.3 million (previous year: inflow of €17.0 million) was attributable primarily to the higher cash outflow from investing activities, which was not offset by the lower cash inflow from operating activities compared to the previous year. These changes are presented in detail in the statement of cash flows.

Financial obligations

Current obligations included €14.5 million (previous year: €7.9 million) for contracts already awarded in connection with investment projects and €37.0 million (previous year: €17.2 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 €3.3 million and finance cost of €5.2 million, net finance cost amounted to -€1.9 million in the period under review (previous year: -€3.3 million). This includes the result from currency translation, which was -€1.0 million in the period under review (previous year: -€1.9 million). The loss from currency translation is due in particular to the direction taken by the Turkish lira.

2.6 Course of business – SIMONA AG

Revenue generated by SIMONA AG rose significantly to €345.2 million (previous year: €271.3 million). This corresponds to an increase of 27.2 per cent. Therefore, the company exceeded by a substantial margin the revenue guidance of €255 to 265 million for the 2021 financial year, as presented in the previous year's Group management report.

Germany

Sales revenue in Germany increased by 25.1 per cent to €136.7 million (previous year: €109.3 million).

EMEA

The EMEA (Europe, Middle East, Africa) region saw sales revenue expand by 29.2 per cent to €183.6 million, up from €142.1 million in the previous year.

Americas

Revenue from sales in the Americas region increased to €7.0 million (previous year: €6.3 million).

Asia-Pacific

The Asia-Pacific region recorded year-on-year revenue growth of 29.6 per cent, taking the figure to €17.8 million.

Revenues within the business lines

The Industry business line generated revenue of €129.5 million (previous year: €85.0 million), an increase of 52.4 per cent. The Advertising & Building business line achieved revenue of €27.1 million (previous year: €21.4 million; an increase of 26.6 per cent). The Infrastructure business line recorded an increase in revenue to €58.5 million (previous year: €46.5 million; an increase of 26.0 per cent). The Mobility business line generated revenue of €4.7 million (previous year: €3.9 million). The remaining revenues from various other fields of application and trade are summarised under „Others" and amounted to €48.2 million (previous year: €50.9 million). Sales revenue and services with subsidiaries amounted to €76.8 million (previous year: €63.7 million).

Earnings performance

SIMONA AG recorded a slight dip in earnings compared to the previous year. Earnings before interest and taxes (EBIT), calculated on the basis of IFRS, totalled €14.4 million (previous year: €14.9 million), while the EBIT margin stood at 4.4 per cent (previous year: 5.8 per cent). The target EBIT margin had been set at 1.0 to 2.0 per cent. EBITDA calculated on the basis of IFRS amounted to €16.2 million (previous year: €16.8 million). The EBITDA margin stood at 4.9 per cent, compared to 6.6 per cent for the same period a year ago (target of 1.5 to 2.5 per cent). At 13.3 per cent, ROCE (based on IFRS) remained below the prior-year figure of 20.0 per cent (target 2.0 to 4.0 per cent).

The lower EBIT and EBITDA figures are mainly due to a disproportionately lower increase in gross profit compared to the increase in revenue, higher staff costs and, in contrast, slightly reduced operating expenses. Overall, business performance with regard to revenue growth and earnings was satisfactory in the 2021 financial year.

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

in € million	2021	2020
EBIT under IFRS	**14.4**	**14.9**
Change in inventories	–0.1	0.2
Cost of materials	–9.2	1.3
Staff costs (pensions)	3.3	3.5
Depreciation/amortisation/write-downs of intangible assets and property, plant and equipment	0.3	0.2
Other operating expenses	0.1	–2.5
Other changes	3.0	1.2
EBIT under HGB	**11.9**	**18.8**

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 €72.5 million, down by -8.9 per cent year on year. The gross profit margin fell from 29.3 per cent a year ago to 21.0 per cent due to the higher volume of revenues. The cost of materials of €272.7 million increased significantly by 42.2 per cent year on year, due to both price and volume increases.

Other operating income totalled €3.8 million (previous year: €2.8 million). This figure includes gains of €2.9 million (previous year: €0.8 million) from currency translation.

Personnel expense amounted to €26.9 million, which was up 7.8 per cent on the prior-year figure. Both staff costs (7.0 per cent) and social security and pension costs (11.9 per cent) increased.

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

Other operating expenses fell from €37.0 million a year ago to €35.9 million in the period under review, a decrease of -3.0 per cent. While selling expenses rose by €4.2 million, particularly against the backdrop of higher revenue, expenses from currency translation fell by €2.8 million and legal and consulting costs by €1.7 million.

The item „Reversal of write-downs of financial assets“ includes reversals of impairment losses relating to interests in SIMONA ASIA LIMITED, Hong Kong, in the amount of €5.3 million as well as on loans to the company in the amount of €6.2 million. The reversal of impairment losses in the reporting year is due to the fact that the permanent impairment from previous years is no longer applicable.

Interest and similar expenses totalled €3.9 million (previous year: €3.8 million) and consisted primarily of expenses relating to the unwinding of the discount, i.e. interest cost, of pension provisions (€3.7 million, previous year: €3.5 million).

The decrease in income tax expenses corresponds to the lower taxable profit due to the non-tax-deductible reversal of impairment losses on financial assets.

Earnings before interest and taxes (EBIT), calculated on the basis of HGB, totalled €11.9 million in the period under review (previous year: €18.8 million), as a result of which the EBIT margin stood at 3.5 per cent (previous year: 6.9 per cent). EBITDA amounted to €13.4 million (previous year: €20.5 million). The EBITDA margin stood at 3.9 per cent, compared to 7.5 per cent for the same period a year ago. Profit after taxes amounted to €23.3 million (previous year: €15.3 million). The direction taken by earnings in the period under review was characterised by a decline in taxable profit despite an increase in revenue. This was attributable mainly to a lower gross profit margin as a result of significantly increased raw material costs as well as higher personnel expenses.

Financial position

Total assets attributable to SIMONA AG rose by €14.7 million to €292.7 million.

Non-current assets amounted to €179.4 million (previous year: €150.9 million), the increase mainly being attributable to the acquisition of interests in the subsidiary in Turkey.

Property, plant and equipment amounted to €12.3 million (previous year: €9.8 million).

Interests in affiliated companies rose by €20.8 million. This includes the purchase of 70.00 per cent of the interests in SIMONA PLASTECH, Düzce, Turkey.

Loans to affiliated companies, amounting to €35.0 million (previous year: €29.7 million), relate to subsidiaries in the Americas and Asia as well as the subsidiary in Turkey acquired in 2021. The subsidiary in the United States repaid a loan of €9.4 million in the reporting period.

Inventories were down on the prior-year figure (€24.7 million), falling to €21.4 million. They include raw materials, consumables and supplies (€0.8 million) as well as finished goods and merchandise (€20.6 million). Inventories of finished goods and merchandise fell by -€3.6 million compared to the previous financial year. While inventories of finished goods and merchandise increased nominally by €4.8 million, a higher LIFO markdown (+€8.4 million) led to a lower overall inventory figure.

Trade receivables increased by €6.0 million to €26.7 million due to more expansive business. Receivables from affiliated companies amounted to €31.2 million (previous year: €24.5 million) and included receivables from the delivery of goods. The increase is primarily due to higher deliveries of goods.

Other assets totalled €6.9 million (previous year: €2.0 million).

In total, receivables and other assets amounted to €66.6 million (previous year: €49.1 million).

Cash and cash equivalents fell from €52.9 million a year ago to €24.7 million at the end of the reporting period, a reduction of €28.2 million. This reduction is primarily due to net cash from operating activities and, in the opposite direction, to the repayment of KfW loans, the outflow for the acquisition of the subsidiary in Turkey and the dividend payment.

Equity and liabilities

SIMONA AG's equity rose by €16.1 million year on year to €212.5 million. The equity ratio is 73 per cent (previous year: 71 per cent).

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 €50.8 million (previous year: €50.5 million). In total, allocations to provisions for pensions were increased by €2.2 million compared to the previous year and stood at €43.3 million at the end of the reporting period. The discount rate fell to 1.87 per cent (previous year: 2.30 per cent). Other provisions totalled €7.1 million (previous year: €4.6 million). Tax provisions amounted to €0.5 million and were lower than in the previous year (€4.8 million) due to the decline in earnings.

Total liabilities fell by -€1.7 million to €29.4 million.

Liabilities to banks amounted to €11.4 million (previous year: €11.9 million). At the end of the year, this item included long-term loans from KfW funds, of which EUR 3.4 million were repaid in the financial year under the terms of the contract, as well as the short-term utilisation of credit lines. At the end of the reporting period, SIMONA AG had undrawn borrowing facilities of €29.0 million (previous year: €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 €2.8 million (previous year: €2.4 million).

Liabilities towards affiliated companies amounted to €11.1 million (previous year: €14.1 million) and relate mainly to goods deliveries from the German production companies as well as the subsidiary in the Czech Republic.

Investments

Capital expenditure relating to property, plant and equipment at SIMONA AG amounted to €3.8 million in the period under review (previous year: €2.9 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 €2.5 million (previous year: €1.6 million).

Obligations from investment projects already initiated amounted to €0.2 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 €24.7 million (previous year: €52.9 million), comprising bank deposits denominated in euro and foreign currencies. The decrease by -€28.2 million is mainly due to cash inflows from operating activities and, in the opposite direction, cash outflows from financing activities (repayment of KfW loans and the dividend payment) as well as the cash outflow from the acquisition of the new subsidiary in Turkey.

2.8 Non-financial indicators

Customer satisfaction

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

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

Employees

As at 31 December 2021, the SIMONA Group employed 1,549 people (previous year: 1,433). The headcount rose significantly compared to the previous year‘s figure as a result of the acquisition of the Turkish company SIMONA PLASTECH (76 employees) and new hires at the Norwegian company SIMONA Stadpipe as well as at the production sites in Germany and the United States. Buoyant demand for SIMONA products since the onset of the pandemic necessitated the expansion of production capacity and, in conjunction with this, the recruitment of additional production staff.

The headcount of the German entities of the SIMONA Group (SIMONA AG and the two production companies in Kirn and Ringsheim) was also up year on year; for the reasons outlined above it stood at 815 at the end of the year (31 December 2020: 799).

SIMONA again expanded its intake of vocational trainees, i.e. apprentices. With the help of targeted marketing within the vocational training sector, complemented by the extensive digitalisation and acceleration of the selection process, more young applicants were retained by the company than in the previous year despite the tight training market. In 2021, a total of 60 young talents were undergoing training at SIMONA (previous year: 54). The young people complete an apprenticeship in one of the twelve technical and commercial fields of vocational training or take part in one of the two dual work-study courses on offer. In 2021, seven 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 Meister (master craftsperson) – or to receive a Bachelor's degree.

All SIMONA sites around the world were again affected by the COVID-19 pandemic in 2021 and had to combat the spread of the virus with a range of organisational and preventative measures that often changed as the pandemic evolved. These measures proved effective in the period under review, as evidenced by the fact that infection levels again remained manageable in 2021. The efforts were complemented by company vaccination campaigns at the individual sites, which were very well received by the workforce. For all staff members whose workplace allows this, mobile working was again one of the predominant approaches specified for 2021. At the end of December, up to 95 per cent of administrative staff were again working on a mobile basis.

Despite the restrictions caused by the pandemic and significant workloads due to full order books and distortions within the commodity markets, the Group's strategic goals were further implemented at all levels, which included the area of human resources. At the plant located at the Group headquarters in Kirn, determined efforts to roll out a comprehensive shop floor management structure continued in the period under review, the aim being to facilitate the efficient control of machinery on the basis of key indicators. This also involves equipping the machines with digital measuring devices. The business lines introduced within the EMEA region have been picking up speed after their launch and have made considerable progress in terms of their conceptual approach and their personnel structures, despite having to contend with strong market demand. New positions considered to be of strategic importance, such as market segment managers, were filled within a short time.

The focus of advanced training activities for employees in 2021 continued to be on building and extending project management expertise, for which training courses were also organised at a global level. These activities were supplemented by a broad range of training courses centred around the topic of professional presentations. In addition, the Group organised targeted personal training sessions on the basis of annual staff appraisals as well as group coaching sessions in support of manager leadership. Due to the physical distancing measures implemented in response to the pandemic, a large proportion of company training had to take place online.

The third generation of the Talent Promotion Circle (TPC) successfully completed its course programme in 2021, the focus being on the issues of communication and conflict as well as cultural awareness and management. Due to the pandemic, this course has now been running for a period of four years; the last two years of the course were conducted solely by means of online platforms and digital media. The SIMONA TPC prepares high potentials for professional and managerial roles as part of a modular, three-year training programme. It 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.

Quality

The goal of SIMONA's quality management system is to maintain and optimise product and process quality on a continual and sustainable basis. In this context, meeting the requirements of DIN EN ISO 9001 and the Pressure Equipment Directive 97/23/EC is an essential prerequisite, and full compliance with these standards was confirmed by independent surveillance audits conducted in 2021. 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 initiated an organisational realignment with the aim of evolving into a global IT service organisation. The new organisation operates on the basis of standardised IT processes to ensure a quantifiable contribution to value creation by IT in line with business requirements.

Following the integration of SIMONA Stadpipe – an entity acquired in 2020 – into the overall infrastructure, the focus was on implementing its application-specific integration into SAP Finance in 2021. SIMONA PLASTECH, a recent acquiree based in Turkey, was successfully integrated into the IT infrastructure.

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

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

3. Report on opportunities and risks

The global economic recovery following the pandemic-induced slump in 2020 has boosted the propensity to invest within the industries served by SIMONA. Despite the general upturn, however, the pre-crisis levels still remain out of reach at present. Industrial demand in the key sales markets has been stable, although it should be noted that higher rates of infection worldwide dampened economic growth in the second half of 2021 and clouded expectations. Short- and medium-term trends relating to opportunities and risks continue to be shaped by the restrictions imposed by COVID-19.

The aviation business, in particular, may be exposed to further significant risk as a result of the COVID-19 crisis. Having said that, SIMONA has managed to compensate for the contraction in the aviation market by tapping into alternative applications in the mobility and construction sectors. Elevated and spiralling commodity prices together with a shortage of logistics services – currently exacerbated by the war in Ukraine – will continue to pose the most severe risks in 2022. The debate on the environmental impact of plastics, particularly in Europe, may have a negative effect not only on business but also on the recruitment of skilled personnel. Critical views surrounding the issue of CO2 emissions in the aviation industry could have a detrimental effect on the market for aircraft interiors in the long term.

The use of plastics as a sustainable and economical alternative to heavier or non-recyclable materials continues to provide opportunities. Plastics can thus be deployed for the purpose of reducing CO2 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 EMEA, strategic projects are being implemented for the purpose of increasing efficiency and competitiveness and thus generating further momentum. The Infrastructure business line, newly introduced in 2021, is focused on unlocking growth relating to mega trends in the fields of energy and water supply, food and construction. The acquisition of SIMONA Stadpipe in Norway underpins efforts to tap global growth in aquaculture applications. In acquiring SIMONA PLASTECH in Turkey, the Group has extended its product range for building and advertising applications, the aim being to cement the company's position in this market segment.

In the United States, meanwhile, SIMONA 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. Opportunities in the core market of aircraft interiors are becoming more prominent again due to the expected recovery of the air transport industry. At the same time, however, the direction taken in the short to medium term will be heavily dependent on the further course of the COVID-19 pandemic. With a number of newly developed products in its portfolio, SIMONA sees good potential in the US market for outdoor plastic furniture, boat building and bathroom interiors. In the medium term, the United States also offers opportunities within the area of pipes and fittings.

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

Overall, SIMONA is of the opinion that the potential for opportunities remains at a good level. Compared to the previous year, the opportunities for SIMONA's business remain fundamentally unchanged. The effects, particularly due to possible restrictions caused by the pandemic as well as from the upheavals within commodity markets and the war in Ukraine, cannot be reliably forecast 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.

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

In the context of the amended IDW auditing standard „Die Prüfung des Risikofrüherkennungssystems IDW PS 340 n.F." („The Audit of the Early Risk Detection System"), the risk inventory was revised internally and the process description and risk management guideline were reworded. Identified risks are assessed in terms of their probability of occurrence and potential impact on the Group's risk-bearing capacity. As part of a stress test scenario, risk aggregation is conducted on the basis of the expected value of the individual risks recorded in the risk inventory, which also involves a review of possible interdependencies. In this context, the maximum risk potential determined with regard to risk-bearing capacity is set in relation to the available cash (available cash plus unused credit lines).

SIMONA considers the following individual risks to be material:

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

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

Macroeconomic and sales market risks

The risks associated with the general business environment and the sector in which the company operates relate mainly to the economic performance of customer segments served by SIMONA. They also include 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.

Although the overall economic risks from the COVID-19 pandemic are trending lower due to the milder course of the Omicron variant and a higher rate of vaccination worldwide, the associated risk must still be classified as significant due to possible new variants and the effects of the global relaxation of hygiene and safety measures.

Due to Russia‘s attack on Ukraine, the overall geopolitical risks have reached a dimension that could hardly have been imagined in the past. SIMONA has imposed a delivery ban on consignments to Russia that applies to all plants. The medium-term risks emanating from this conflict cannot yet be projected and must be rated as very high. Within the segment covering EMEA, measures aimed at combating the pandemic as well as the Russia-Ukraine conflict 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-Pacific segment, meanwhile, the principal risks are attributable to future political relations and the direction taken by the trade dispute between the United States and China. As regards the aspect of changes to sales markets, the decline in revenue in the medium term is projected at approx. €10.0 to 25.0 million, with a probability of occurrence of under 50 per cent.

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 considered to be under 50 per cent.

Financial risks

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

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

Dependence on the euro within the Group was scaled back further through the corporate acquisitions in recent years as well as the expansion of production and the company‘s market position in the

United States. However, the USD currency risk for SIMONA remains high. In addition, risk associated with currencies has increased significantly due to the direction taken by the Turkish lira, which is of relevance following the corporate acquisition in Turkey. In the medium term, the probability of occurrence of a dilutive or accretive effect on earnings equivalent to €4.0 to 6.0 million is estimated at over 50 per cent with regard to currency risk.

The risk of bad debts and insolvencies is 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 EMEA segment that are more than 60 days overdue. Default-related risk associated with specific customers is limited by credit insurance and the cut-off of deliveries in the case of outstanding payments. Deliveries to Russia were suspended across the Group in response to the Ukraine conflict. 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. Stock for Russian and Ukrainian customers that can currently no longer be delivered will be allocated to general inventories, provided the items are not customised products. Insofar as a default by the customer can be assumed, customised products are accounted for as impaired or, where appropriate, reclassified.

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 to a significant extent 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 higher at the end of the year. SIMONA AG shares were up €9.2 million year on year.

Risks attributable to procurement and purchasing

As 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 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, rose markedly during the year under review.

Following the strong economic upturn that was first seen in the spring of last year and then continued unabated until early autumn, the European Union and Germany were faced with a loss in forward momentum. This is attributable in part to supply-side bottlenecks, which, according to the Bundesverband der Deutschen Industrie (Federation of German Industries – BDI), are exerting pressure on many companies in the automotive industry, the electrical industry or in mechanical engineering. These bottlenecks acted as a decelerator on industrial value creation in the year under review and will continue to do so in 2022. A lack of microchips, components and raw materials will affect production for a considerable time to come.

Although the impact of the pandemic is now less pronounced in respect of economic activity, economic expansion may be stymied by containment measures still in place and ongoing staff shortages. These two factors may also affect the functioning of critical supply chains for longer than expected.

Economic growth continues to be significantly influenced by the pandemic. Many EU member states have come under pressure as they contend with the increasing strain on their health care systems as well as staff shortages due to illness, precautionary quarantine and family care requirements. Logistics and supply-side bottlenecks, for example with regard to semiconductors and some metals, are also likely to continue to have an adverse effect on production – at least during the first half of 2022. Last but not least, energy prices are expected to remain high for an extended period of time. The overall risk to future economic growth has become much more pronounced amid the geopolitical tensions in Eastern Europe. At present, we are not in a position to assess whether the procurement situation (including logistics, bottlenecks) will improve again in the course of the year. Spiralling commodity prices are passed on to the sales market to the greatest extent possible, but this may result in the cancellation of orders or the withdrawal from projects.

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 €5.0 million. The probability of occurrence is currently estimated at over 50 per cent, which is also due to the distortions within commodity markets as a result of the Ukraine conflict.

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 to 15.0 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. In addition, a penetration test was conducted and evaluated by a specialised company in the financial year under review. Significant damage due to a temporary system failure is estimated at around €10.0 million in lost revenue and around €2.0 to 3.0 million in costs. The probability of occurrence, especially through external attacks on IT systems, has continued to increase significantly and is estimated at over 50 per cent.

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

At the end of the 2021 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 is impossible to predict the repercussions of the conflict in Eastern Europe between Russia and Ukraine. Additionally, it should be noted that the COVID-19 pandemic continues to 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 separate and consolidated annual financial statements. In this context, the SIMONA Group observes the relevant publications issued by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer – IDW). There were no significant changes to the accounting-related ICS in the period between the end of the reporting period and the preparation of the management report.

As regards financial reporting and the accounting process, we consider those elements to be of significance to the internal control and risk management system that may potentially influence financial reporting and the overall assessment of the separate and consolidated financial statements, including the management report. This mainly includes the following elements:

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

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

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

4. Report on expected developments

Economic conditions

Having lost much of its momentum in the fourth quarter of 2021 after the emergence of the Omicron variant of COVID-19, the global economy appeared to be in a better shape as it entered 2022. Indeed, progress in combating the pandemic and the milder nature of the Omicron variant provided the basis for a more favourable outlook. In its January forecast, the International Monetary Fund (IMF) assumed that the global economy would grow by 4.4 per cent, 0.5 per cent less than three months ago. Developments in the three major economies, the United States, China and Germany, in particular, prompted the IMF to revise its forecast downward. However, high rates of inflation, persistent bottlenecks in supply, geopolitical tensions and the possible emergence of virus variants are to be seen as key factors of uncertainty in the reliability of such forecasts. In response to the Russia-Ukraine conflict, many economic research institutes have reduced their forecasts for 2022, in some cases significantly.

As regards the eurozone, the IMF has forecast growth of 3.9 per cent for 2022. The economy in Germany is predicted to grow by 3.8 per cent – 0.8 percentage points less than in the October outlook –, while France is expected to see growth of 3.5 per cent and Italy 3.8 per cent. GDP in Spain is expected to expand by 5.8 per cent, but this is to be seen against the backdrop of significant losses suffered by the Spanish economy in the crisis year of 2020. Economic output in the United Kingdom is projected to increase by 4.7 per cent. The world‘s largest economy, the United States, is forecast to grow by 4.0 per cent, 1.2 percentage points down on the figure presented in the IMF‘s October outlook. Low employment compared to other industrialised countries, concerns over a wage-price spiral and domestic political tensions are cited as factors considered to be detrimental to the overall outlook. As regards China‘s economy, economists at the IMF predict growth of just 4.8 per cent, 0.8 percentage points less than three months ago. The downgrade was prompted mainly by doubts about the success of a zero-COVID strategy for the highly contagious Omicron variant, which would lead to extensive plant closures and exacerbate bottlenecks in supply.

The chemical industry in Germany is again expected to perform well in the current year. The German Chemical Industry Association (VCI) points to a potential increase in production of 2 per cent and an increase in revenue of 5 per cent, taking the total to €231 billion. Above all, growth is expected to be driven by exports. Supply-side bottlenecks and the sharp rise in energy costs continue to cause problems for this sector in Europe. At a global level, the chemical industry is predicted to see production output expand by 3.8 per cent in 2022. Given the uncertainties in connection with the Russia-Ukraine war, the VCI suspended its forecast in mid-March.

Due in part to the substantial order backlog from the previous year, the VDMA has revised upwards its production forecast for the German mechanical and plant engineering industry for 2022 from the previous +5 per cent to +7 per cent compared to the previous year. This would bring productivity back to pre-crisis levels by the end of 2022.

Likewise significant order backlogs point to an expansion in revenue in the German construction industry of 5.5 per cent in nominal terms to €151 billion. In this context, the principal federations representing the German construction industry expect residential construction to increase by 7.0 per cent and commercial construction by 6.0 per cent. Public-sector construction is also forecast to decline in 2022, by just under 9 per cent.

The global market for aircraft interiors is forecast to grow by around 20 per cent to just under US$12 million in 2022. Based on optimistic scenarios, the market may see a return to pre-crisis levels in 2024.

Sector-specific conditions

Based on data compiled as part of a survey conducted by the industry association GKV, the outlook for 2022 in the plastics processing industry remains very mixed – with significant uncertainties regarding costs and disruptions. Although around half of the companies expect revenue to increase, around a quarter of those surveyed anticipate a further decline in earnings. As a consequence, many companies are considering relocating or discontinuing production or even closing down completely.

The majority of the aforementioned forecasts were made prior to Russia‘s invasion of Ukraine and are thus subject to a high degree of uncertainty.

Future performance of the Group

SIMONA anticipates that Group revenue for the 2022 financial year will be between €590 and 610 million, while the EBIT margin is expected to be between 6 and 8 per cent and the EBITDA margin between 10 and 12 per cent. At Group level, the return on capital employed (ROCE) in 2022 is expected to be between 10 and 12 per cent. The revenue forecast includes revenues generated by Peak Pipe Systems, Chesterfield, UK, which was acquired in February 2022.

The revenue forecast takes into account the increase in sales prices in response to spiralling raw material costs, 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. From today‘s perspective, however, the effects of the armed conflict in Ukraine cannot yet be assessed. Additionally, a deterioration in the rate of COVID-19 infections may lead to further distortions within the commodity markets and have an adverse effect on the availability of raw materials.

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. Macroeconomic performance may be affected by the rapid rise in material prices due to the Ukraine crisis and the continuing scarcity of many raw materials. In addition, the direction taken by profit margins depends largely on whether the aforementioned increase in commodity prices can be passed on through the entire value chain. There is also a risk that the dramatic rise in raw material costs will significantly dampen demand. Indeed, major investment decisions may be delayed or even shelved altogether, which may impact on both revenues and earnings.

Against the backdrop of these macroeconomic assessments, management expects the company to continue to grow despite the uncertainties. Based on incoming orders and order backlog, the outlook for the first half of the financial year would appear to be favourable.

Non-financial indicators

Customer satisfaction

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

Quality

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

Employees

The number of employees within the SIMONA Group will continue to rise slightly in 2022 following the acquisition of Peak Pipe Systems, Chesterfield, UK, in February 2022. 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 2022 financial year will be between €295 and 305 million, while the EBIT margin is expected to be between 3.5 and 5.5 per cent and the EBITDA margin between 4.0 to 6.0 per cent. The return on capital employed (ROCE) in 2022 is expected to be between 6 and 7 per cent. The forecast takes into account the recent effects of the COVID-19 pandemic and the Ukraine crisis as well as its projected impact – as described in the Group report on expected developments.

Germany, as a sales region, is expected to remain stable in economic terms – with the effects of the pandemic becoming less pronounced and the market producing marginal growth. Our assumption is that this will also apply to the entire EMEA region.

In the regions „Americas“ and „Asia-Pacific“ we expect further economic recovery and stronger growth compared to Europe. As in the Group, the direction taken by earnings will depend more on the future trajectory of commodity prices in the wake of the Ukraine crisis 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.

5.2 Compensation report

The compensation report governed by the provisions set out in Section 162 of the Stock Corporation Act (Aktiengesetz – AktG) has been published by SIMONA AG on its website at www.simona.de.

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

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

AG, Frankfurt am Main. Therefore, our shareholders will in future only have an interest as co-owners in the collective holdings of the no-par-value shares in our company, as held by Clearstream Banking AG, according to their interest in the company's share capital.

On 2 June 2021, the Annual General Meeting passed a resolution on a stock split in a ratio of 1:10 as proposed by the Management Board and the Supervisory Board. The share capital of the company was redivided without issuing new shares in a ratio of 1:10 (stock split). Following the approval of the Annual General Meeting, each shareholder received 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 2 June 2021. The members of the Supervisory Board reported holdings of 1,300 shares as at the attendance date of the Annual General Meeting on 2 June 2021, which corresponds to 0.22 per cent of share capital of SIMONA AG.

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

The Supervisory Board may delegate decisions on the conclusion, amendment and termination of Management Board employment contracts to a Supervisory Board committee. Any amendments to the Articles of Association must be made in accordance with the statutory provisions set out in Section 179 et seq. of the German Stock Corporation Act.

According to Section 6 of the Articles of Association, the company is entitled to issue share certificates that embody one share (single certificate) or multiple shares (global certificates).

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

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

6. Non-financial statement pursuant to section 289b and section 315b HGB

Brief description of business model

The SIMONA Group develops, manufactures and markets a range of semi-finished thermoplastics, pipes and fittings as well 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 various plastics workshops for the production of customised fittings.

SHAPING THE WORLD

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

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

Environmental issues

Sustainability and the management of plastics are the two environmental issues that SIMONA will be pursuing intensely over the coming years. The federal government has adopted the Climate Protection Programme 2030. As one of the leading industrial nations, Germany bears a special responsibility for global climate change. The reduction of greenhouse gases is to be achieved in a sustainable and socially balanced manner, taking into account far-reaching measures. The EU Commission is drawing up a plastics strategy and the German Bundestag has passed a packaging law – both are aimed at pushing the sustainable use of plastics. SIMONA is committed to 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. SIMONA is a member of 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 may 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.

Reporting according to EU taxonomy

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

Mandatory reporting was introduced for capital market-oriented companies. On this basis, interested parties should be in a position to compare the sustainability of business models. Article 9 of the Taxonomy Regulation lists six environmental objectives defined by the European Union: climate change mitigation; climate change adaptation; the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; the protection and restoration of biodiversity and ecosystems. As regards these objectives, the first task is to identify taxonomy-eligible economic activities and disclose their proportion of turnover (i.e. revenue) as well as their proportion of capital expenditure and operating expenditure. For the 2021 financial year, reporting will be limited to the first two objectives of climate change mitigation and climate change adaptation.

A taxonomy-eligible economic activity refers to an economic activity that is described in the delegated acts, as it is of relevance to the specified environmental objectives. The respective key performance indicators are determined on the basis of the International Financial Reporting Standards (IFRS) applicable to the consolidated financial statements and take into account all fully consolidated Group companies. Total turnover, i.e. revenue, corresponds to the value shown in the income statement for the financial year in question. Total capital expenditure is defined as the sum of gross additions to tangible and intangible fixed assets in the reporting year. Acquired goodwill is not taken into account. Total operating expenditure includes all direct, non-capitalised other expenses. Currency translation expenses, valuation allowances/write-downs and provisions are not taken into account.

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

The analysis of our economic activities in the area of capital expenditure has shown that we invest a proportion of around 91 per cent in taxonomy-non-eligible economic activities and a proportion of around 9 per cent in taxonomy-eligible economic activities. This figure indicates the proportion of the above-mentioned capital expenditure (additions to fixed assets) that relates to the acquisition of products and services from a taxonomy-eligible economic activity and is specified in Annex I (significant contribution to climate change mitigation) of the Delegated Regulation. This mainly concerns the construction of new buildings and the renovation of existing ones at several sites.

In addition, taxonomy-non-eligible operating expenditure accounts for 93 per cent of total operating expenditure, while taxonomy-eligible operating expenditure accounts for 7 per cent of total operating expenditure. This figure indicates the proportion of the above-mentioned operating expenditure that relates to the purchase of products and services from a taxonomy-eligible economic activity and is specified in Annex I (significant contribution to climate change mitigation) of the Delegated Regulation. This includes, in particular, renovation and maintenance costs relating to buildings as well as the processing of waste. A large proportion of total operating expenditure to be reported in the 2021 financial year was attributable to material costs, which are currently not taxonomy-eligible.

For the 2021 financial year, relevant CAPEX is €3,793 thousand and OPEX is €5,438 thousand.

As from the 2022 financial year, the relevant economic activities and reporting obligations will be extended. As described above, all six environmental objectives mentioned in the Taxonomy Regulation will then be of relevance. Furthermore, the identified economic activities must also be checked for taxonomy alignment, i.e. conformity. In this context, the so-called technical screening criteria are to be taken into account, which consist of three components. First, a significant contribution must be made to one of the environmental objectives specified. Secondly, no significant harm must be caused to another environmental objective (do no significant harm – DNSH). Thirdly, entities have to ensure that minimum social standards are met (in accordance with the OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, the ILO Core Conventions and the International Bill of Human Rights). The impact of these changes on our future reporting is currently being analysed. The FAQs published by the EU Commission on 2 February 2022 with regard to the interpretation of certain legal provisions of the delegated act on disclosure requirements under Article 8 of the EU Taxonomy Regulation are not reflected in this non-financial group statement due to the fact that the FAQs have only recently been issued.

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 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.

In 2021, SIMONA joined the „Initiative Klimafreundlicher Mittelstand" („Climate-Friendly SME Initiative") of VEA (Bundesverband der Energie-Abnehmer e.V.). Together, the participants work on using energy more efficiently, focusing increasingly on climate-friendly forms of energy and supporting climate projects. Through joint exchange, advisory and information services, the initiative raises awareness of the issue of climate protection and has set itself the goal, among other things, of reducing CO2 emissions in companies.

Personnel matters

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

For instance, the company has made health and safety at work a priority and has introduced a „Vision Zero" (referring to the number of occupational accidents) action plan. This is a multi-year concept for the sustainable reduction of occupational accidents, consisting of an extensive range of individual measures. The execution of these measures was also defined as a target in the 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 has been managing 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.

SHAPING THE WORLD

SIMONA conducts international training as part of a project management training concept aimed at developing candidates identified for key positions as part of succession planning.

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

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

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

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

Human rights

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

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.

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, 6 April 2022

SIMONA Aktiengesellschaft
The Management Board

Matthias Schönberg   Dr. Jochen Hauck   Michael Schmitz

Group Income Statement of SIMONA AG

in € '000	Notes	01/01 – 31/12/2021	01/01 – 31/12/2020 (adjusted)
Revenue	[7]	544,539	389,751
Other income	[8]	9,708	8,800
Changes in inventories of finished goods and work in progress		9,458	–2,601
Cost of materials	[9]	317,305	186,604
Staff costs	[10]	95,310	86,994
Amortisation/write-downs of intangible assets and depreciation/write-downs of property, plant and equipment as well as right-of-use assets under leases	[17, 18, 19]	18,630	18,259
Other expenses	[12]	81,600	70,516
Earnings before interest and taxes (EBIT)		**50,860**	**33,574**
Finance income	[13]	3,309	1,452
Finance cost	[13]	5,167	4,581
Income from investments accounted for using the equity method	[20]	337	172
Earnings before taxes (EBT)		**49,339**	**30,617**
Income taxes	[14]	12,842	7,321
Profit for the period		**36,497**	**23,297**
Of which attributable to:			
Owners of the parent company		37,020	23,129
Non-controlling interests		–523	168

EARNINGS PER SHARE

in €			
– basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[15]	6.49	4.06
– diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[15]	6.49	4.06

Group Statement of Comprehensive Income of SIMONA AG

in € '000	Notes	01/01 – 31/12/2021	01/01 – 31/12/2020 (adjusted)
Profit for the period		**36,497**	**23,297**
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations	[27, 28]	40,536	–14,993
Deferred taxes on remeasurement of defined benefit obligations	[14]	–11,955	4,463
Items that may be reclassified subsequently to profit or loss:			
Exchange differences relating to currency translation	[25, 31]	6,170	–10,998
Deferred taxes from currency translation	[14]	–408	610
Other comprehensive income recognised directly in equity		**34,343**	**–20,918**
Total comprehensive income		**70,840**	**2,379**
Of which attributable to:			
Owners of the parent company		71,363	2,211
Non-controlling interests		–523	168

Group Statement of Financial Position of SIMONA AG

ASSETS

in € '000	Notes	31/12/2021	31/12/2020 (adjusted)	01/01/2020 (adjusted)
Intangible assets	[17]	55,456	40,409	38,007
Property, plant and equipment	[18]	154,941	140,808	138,719
Financial assets	[34]	598	631	670
Investments accounted for using the equity method	[20]	977	1,119	1,143
Right-of-use assets under leases	[19]	2,029	1,780	2,026
Deferred tax assets	[14]	17,753	32,161	24,169
Non-current assets		**231,754**	**216,907**	**204,734**
Inventories	[21]	120,948	84,893	89,655
Trade receivables	[22]	82,363	56,158	59,702
Other assets	[23]	10,913	5,750	5,749
Income tax assets	[23]	8,172	2,805	4,607
Other financial assets	[34]	300	1,298	2,036
Cash and cash equivalents	[24, 31]	54,055	85,349	68,399
Current assets		**276,751**	**236,253**	**230,148**
Total assets		**508,505**	**453,160**	**434,882**

EQUITY AND LIABILITIES

in € '000	Notes	31/12/2021	31/12/2020 (adjusted)	01/01/2020 (adjusted)
Equity attributable to owners of the parent company				
Issued capital		15,500	15,500	15,500
Capital reserves		15,274	15,274	15,274
Revenue reserves		219,120	163,142	163,895
Other reserves		6,580	818	11,206
Treasury shares		–597	–597	–597
		255,877	**194,137**	**205,278**
Non-controlling interests		6,161	2,612	464
Equity	[25]	**262,038**	**196,749**	**205,742**
Financial liabilities	[26]	5,005	8,430	11,855
Provisions for pensions	[27, 28]	133,806	170,354	151,420
Other provisions	[29]	4,082	4,061	4,484
Liabilities under leases	[19]	1,181	1,051	1,230
Other financial liabilities	[26]	12,048	8,659	644
Deferred tax liabilities	[14]	14,921	10,872	9,876
Non-current liabilities		**171,042**	**203,427**	**179,509**
Financial liabilities	[26]	8,920	3,425	3,425
Provisions for pensions	[27]	1,872	1,773	1,788
Other provisions	[29]	2,115	1,723	1,091
Trade payables		34,326	17,426	18,738
Income tax liabilities		4,086	7,035	2,497
Liabilities under leases	[19]	880	752	812
Other financial liabilities	[26]	3,038	1,989	2,412
Other liabilities	[30]	20,189	18,862	18,868
Current liabilities		**75,425**	**52,984**	**49,631**
Total equity and liabilities		**508,505**	**453,160**	**434,882**

Group Statement of Cash Flows of SIMONA AG

in € '000	Notes	01/01 – 31/12/2021	01/01 – 31/12/2020 (adjusted)
Earnings before taxes		49.339	30.617
Income taxes paid		–18.038	–2.978
Finance income and cost (excl. interest expense relating to pensions)	[13]	–248	–72
Amortisation/write-downs of intangible assets and depreciation/write-downs of property, plant and equipment as well as right-of-use assets under leases	[17, 18, 19]	18.630	18.259
Other non-cash expenses and income		111	1.786
Result from disposal of non-current assets		493	438
Change in inventories	[21]	–33.724	2.844
Change in trade payables	[22]	–22.953	4.013
Change in other assets	[23]	–3.877	874
Change in pension provisions	[27, 28]	1.524	2.012
Change in liabilities and other provisions	[29, 30]	23.225	–1.707
Net cash from operating activities		**14.482**	**56.086**
Investments in intangible assets and property, plant and equipment	[17, 18]	–24.985	–20.433
Acquisition of subsidiaries and and other business units less net cash acquired		–15.396	–6.466
Proceeds from the disposal of non-current assets		316	119
Proceeds from disposals of financial assets		98	0
Interest received		161	189
Net cash used in investing activities		**–39.806**	**–26.592**
Proceeds from borrowings		5.475	0
Repayment of financial liabilities	[26]	–5.010	–3.425
Repayment of lease liabilities	[19]	–1.062	–828
Payment of prior-year dividend	[16]	–6.840	–5.700
Payment of dividends to non-controlling interests		–85	–53
Interest paid and similar expenses		–291	–252
Net cash used in financing activities		**–7.813**	**–10.258**
Effect of foreign exchange rate changes on liquidity	[31]	1.843	–2.286
Change in cash and cash equivalents		**–31.294**	**16.950**
Cash and cash equivalents at 1 January	[24, 31]	85.349	68.399
Cash and cash equivalents at 31 December	[24, 31]	54.055	85.349
Change in cash and cash equivalents		**–31.294**	**16.950**

Group Statement of Changes in Equity of SIMONA AG

in € '000	Notes	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY Share capital	Capital reserves	Revenue reserves	Other reserves Currency translation differences	Treasury shares IFRS	Total	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	Notes	[25]	[25]		[25]			[25]	
Balance at 01/01/2020 (adjusted)		**15,500**	**15,274**	**163,895**	**11,206**	**–597**	**205,278**	**464**	**205,742**
Amount recognised directly in equity as part of the Statement of Comprehensive Income (adjusted)		0	0	–10,530	–10,388	0	–20,918	0	–20,918
Profit for the period (adjusted)		0	0	23,129	0	0	23,129	168	23,297
Total comprehensive income (adjusted)		**0**	**0**	**12,599**	**–10,388**	**0**	**2,211**	**168**	**2,379**
Dividend payment (adjusted)	[16]	0	0	–5,700	0	0	–5,700	–54	–5,754
Changes in the scope of consolidation (adjusted)	[35]	0	0	–8,196	0	0	–8,196	1,930	–6,266
Other changes (adjusted)			0	544	0	0	544	104	648
Balance at 31/12/2020 (adjusted)		**15,500**	**15,274**	**163,142**	**818**	**–597**	**194,137**	**2,612**	**196,749**
Balance at 01/01/2021		**15,500**	**15,274**	**163,142**	**818**	**–597**	**194,137**	**2,612**	**196,749**
Amount recognised directly in equity as part of the Statement of Comprehensive Income		0	0	28,581	5,762	0	34,343	0	34,343
Profit for the period		0	0	37,020	0		37,020	–523	36,497
Total comprehensive income		**0**	**0**	**65,601**	**5,762**	**0**	**71,363**	**–523**	**70,840**
Dividend payment	[16]	0	0	–6,840	0	0	–6,840	–85	–6,925
Changes in the scope of consolidation	[35]	0	0	6	0	0	6	4,261	4,267
Other changes		0	0	–2,789	0	0	–2,789	–104	–2,893
Balance at 31/12/2021		**15,500**	**15,274**	**219,120**	**6,580**	**–597**	**255,877**	**6,161**	**262,038**

Notes to Consolidated Financial Statements of SIMONA AG

[1] Company information

SIMONA AG is a stock corporation (Aktiengesellschaft) founded in Germany – registered office at Teichweg 16, 55606 Kirn, Germany. Its shares are traded within the General Standard of the Frankfurt and Berlin Stock Exchanges. On 2 June 2021, the virtual Annual General Meeting of SIMONA AG approved a stock split at a ratio of 10 to 1, as proposed by the Management Board. The number of shares in circulation thus increased from 600,000 to 6,000,000 shares. The application for the stock split was entered in the Commercial Register on 19 July 2021. The company has been entered in the Commercial Register at the District Court of Bad Kreuznach (HRB 1390). The consolidated financial statements of SIMONA AG for the financial year ended 31 December 2021 were released by the Management Board on the basis of a resolution of 1 April 2022 for the purpose of forwarding them to the Supervisory Board and subsequently publishing them.

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

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

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

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

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

[2] Accounting policies

Basis of preparation

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

Adjustment to prior-year disclosures

Owing to a changed assessment with regard to the fulfilment of the plan asset criteria, the previous year's values for pension provisions, equity (revenue reserves and treasury shares), deferred taxes, financial assets as well as finance costs and other comprehensive income were adjusted. As regards the statement of financial position as at 1 January 2020, this led to an increase in pension provisions of €15,270 thousand, an increase in deferred taxes of €4,393 thousand, an increase in financial assets of €330 thousand and a reduction in revenue reserves of €9,950 thousand as well as a deduction of treasury shares in the amount of €597 thousand.

Furthermore, as at 31 December 2020, this resulted in adjustments to pension provisions of +€14,540 thousand, revenue reserves of -€9,259 thousand, deferred taxes of +€4,393 thousand, financial assets of +€291 thousand, a deduction of treasury shares of €597 thousand as well as adjustments to finance costs of -€139 thousand and adjustments to other comprehensive income of +€519 thousand. This leads to an improvement in profit for the period of €139 thousand and an improvement in total comprehensive income of €658 thousand.

In 2020, dividends on treasury shares in the amount of €300 thousand were recognised; they are no longer to be recognised due to the above-mentioned correction. This reduces the dividends paid and increases revenue reserves by the same amount. The number of shares was reduced by an amount equivalent to the treasury shares. As a result, earnings per share have also been adjusted to €4.06.

Related disclosures in the Notes have also been adjusted.

Statement of compliance with IFRS

The consolidated financial statements of SIMONA AG and the entities included in the consolidated group for the period ended 31 December 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the end of the reporting period, as adopted by the European Union, and the provisions of commercial law to be applied additionally pursuant to Section 315e(1) of the German Commercial Code (Handelsgesetzbuch – HGB).

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

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

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

Principles of consolidation

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

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

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

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

Exemption according to Section 264b HGB

Under Section 264b HGB, SIMONA Produktion Kirn GmbH & Co. KG, Kirn, and SIMONA Produktion Ringsheim GmbH & Co. KG, Ringsheim, are exempt from their obligation to prepare and have audited a management report in accordance with German commercial law pursuant to the provisions applicable to corporations and to disclose the management report and the annual financial statements pursuant to Section 325 HGB.

[3] New financial reporting standards

3.1 New Standards, Interpretations and Amendments

As regards new standards, interpretations and amendments, SIMONA will generally apply for the first time those that were mandatory, i.e. those that are applicable to financial years beginning on or before 1 January 2021. On 27 August 2020, the IASB adopted amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16 that relate to the reform of benchmark interest rates (IBOR reform). With regard to the change in contractual cash flows, the amendment clarifies that in this case the carrying amount of the financial instruments is not to be adjusted or derecognised. In addition, the reliefs in connection with hedge relationships that are directly affected by the IBOR reform will allow most hedge relationships to continue. The amendments were incorporated into EU law on 13 January 2021 and are mandatory for financial years beginning on or after 1 January 2021. Early adoption was permitted. The amendments did not have a material impact on the presentation of the financial performance, financial position and cash flows of the SIMONA Group. On 31 March 2021, the IASB extended the application period of the amendments to IFRS 16 „Leases". The relief provisions in respect of COVID-19-related rent concessions now apply to payments due by 30 June 2022 (previously 30 June 2021). On 30 August 2021, the application period of the IFRS 16 amendments was incorporated into EU law. The amendments have no impact on the Group.

3.2 Standards not applied early

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

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

On 14 May 2020, the IASB published amendments to several IFRS standards. The amendments concern the following standards: IFRS 3 „Business Combinations" – Reference to the Conceptual Framework; IAS 16 „Property, Plant and Equipment" – Proceeds before Intended Use. Under the provisions of the amendment, a company shall be prohibited from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company shall recognise such sales proceeds and related cost in profit or loss. In addition, there were amendments in connection with IAS 37 „Provisions, Contingent Liabilities and Contingent Assets" – Onerous Contracts, Cost of Fulfilling a Contract. The amendment clarifies that when assessing whether contracts are onerous the direct costs of fulfilling a contract shall include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. In addition, the annual „Improvements to IFRS 2018-2020" were published with minor amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41. All amendments come into force on 1 January 2022, with different transitional provisions. The amendments were incorporated into EU law on 2 July 2021 and are mandatory for financial years beginning on or after 1 January 2022. None of the amendments are likely to have a material impact on the presentation of the financial performance, financial position and cash flows of the SIMONA Group.

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

On 23 January 2020, the IASB published amendments to IAS 1 „Presentation of Financial Statements“ regarding the classification of liabilities as current or non-current. Liabilities are classified as non-current if, at the end of the reporting period, the entity has a substantive right to defer settlement of the liability for at least twelve months at the end of the reporting period. The original first-time application of the amendments to IAS 1 as at 1 January 2022 was postponed by one year by the IASB on 15 July 2020. The amendments are therefore mandatory from 1 January 2023. Early application is permitted, but is subject to EU endorsement. The effects of applying the new classification of liabilities as current or non-current on the presentation of the financial position, financial performance and cash flows of the SIMONA Group are currently being analysed.

The IASB adopted amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors on 12 February 2021. The objective of the amendments to IAS 1 is to improve the quality of financial reporting by requiring an entity to disclose its material accounting policy information rather than its significant accounting policies. Accounting policy information is material if such information is necessary to understand other material information in the financial statements. This is likely to apply to accounting policy information that relates to material transactions, other events or conditions in respect of the entity. The amendments to IAS 8 relate to the definition of accounting estimates. They include clarifications to better distinguish between accounting policies and accounting estimates. The application of both amendments is mandatory for financial years beginning on or after 1 January 2023. An earlier application of the amendments – subject to an endorsement yet to be made – is permissible. The effects of applying the amendments to IAS 1 and IAS 8 to the presentation of the financial position, financial performance and cash flows of the SIMONA Group are currently being examined.

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

[4] Material judgements and estimates

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

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

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

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

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

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

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

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

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

Expenses relating to defined benefit plans are determined on the basis of actuarial methods. Actuarial valuation is conducted on the basis of assumptions that include discount rates, expected salary and pension increases as well as mortality rates. The assumptions used as a basis of valuations may differ from actual developments due to changing market, economic and social conditions. Any change in these assumptions will have an impact on the carrying amounts of pension obligations. For further details, please refer to Note [27] and [29].

Estimates and judgements may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses presented in respect of the reporting period. Due to the currently unforeseeable global consequences of the COVID-19 pandemic, these estimates and judgements are subject to heightened uncertainty. The actual amounts may differ from the estimates and judgements made; changes may have a material impact on the consolidated financial statements. When updating the estimates and judgements, information available in respect of expected economic trends and country-specific government measures were taken into account. This information was included in the impairment testing of financial assets, especially trade receivables and financial investments as well as inventories. In addition, impairment tests were carried out for the cash-generating units, which confirmed the recoverability of the respective underlying carrying amounts.

[5] Summary of material accounting policies

Currency translation

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

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

In the consolidated financial statements expenses and income associated with financial statements of subsidiaries prepared in a foreign currency are translated on the basis of the year-average exchange rate, whereas assets and liabilities are translated on the basis of the closing rate. Exchange differences arising from the translation of equity as well as exchange differences arising from the use of exchange rates in the income statement that differ from those used for the translation of items presented in the statement of financial position are recognised in other reserves.

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

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

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

Business combinations

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

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

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

Intangible assets

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

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

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

Property, plant and equipment

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

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

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

Leasing

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

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability in the amount of the present value at the date at which the leased asset is available for use by the Group. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the useful life and the term of the lease agreement.

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

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

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

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

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

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

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

Borrowing costs

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

Research and development costs

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

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

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

There were no development projects resulting in the capitalisation of intangible assets in the financial year under review or the previous financial year.

Impairment of non-financial assets

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

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

Investments and other financial assets

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

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

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

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

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

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

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

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

Impairment of financial assets

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

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

Investments accounted for using the equity method

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

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

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

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

Inventories

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

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

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

Cash and cash equivalents

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

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

Financial liabilities

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

Interest-bearing borrowings

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

Accounting for put and call options from company acquisitions

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

Other provisions

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

Pensions

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

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

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

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

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

Government grants

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

Revenue recognition

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

The Group also provides services centred around its SIMONA Academy and the rental of welding machines for plastics. The value of such services is less than 0.02 per cent of consolidated revenue and is immaterial. The Group‘s business activities also involve planning, producing and installing piping systems used in the aquaculture industry.

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

Taxes

a) Current tax assets and current tax liabilities

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

b) Deferred taxes

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

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

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

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

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

c) Value added tax

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

[6] Segment reporting

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

- EMEA
- Americas
- Asia-Pacific

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

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

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

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

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

SEGMENT INFORMATION OF THE SIMONA GROUP

in € '000	EMEA 2021	EMEA 2020 (adjusted)	Americas 2021	Americas 2020	Asia-Pacific 2021	Asia-Pacific 2020	Total 2021	Total 2020
Revenues from external customers	352,512	256,675	150,829	103,828	41,198	29,247	544,539	389,751
Revenues from other segments	11,173	8,652	435	322	0	0	11,608	8,974
Segment revenues	**363,685**	**265,327**	**151,264**	**104,150**	**41,198**	**29,247**	**556,147**	**398,725**
Other income	4,493	7,827	4,087	1,039	2,053	3,286	10,634	12,153
Cost of materials	213,981	128,275	84,443	47,628	30,371	19,662	328,795	195,566
Staff costs	65,903	60,450	25,213	23,189	4,194	3,356	95,310	86,994
Depreciation, amortisation and write-downs	11,780	10,917	5,232	5,609	1,618	1,616	18,630	18,259
Other expenses	55,365	51,257	23,083	19,187	4,045	3,390	82,493	73,834
Earnings before interest and taxes (EBIT)	29,780	22,658	17,572	8,520	3,451	2,782	50,802	33,960
Earnings before taxes (EBT)	27,081	20,344	17,700	8,217	4,249	2,187	49,030	30,748
Segment capital expenditure	15,402	15,392	6,207	7,374	3,051	853	24,660	23,619
Non-current assets	118,312	97,941	82,295	75,683	11,819	9,373	212,426	182,997

Effective from 1 January 2021, the company's former divisional separation into the product areas of Semi-Finished Products and Pipes and Fittings was discontinued in favour of an application-oriented structure centred around business lines. As a result, reporting will be centred on business lines in future.

Notes to Group Income Statement

[7] Revenue

Sales revenue is attributable mainly to the sale of semi-finished plastics, pipes and fittings as well as the planning, production and installation of piping systems for aquaculture. There are no contractual take-back obligations from product deliveries. Refunds are made promptly in the form of credit notes to the customer in the event of changes in the transaction price, complaints or other reasons. Delivery and service obligations in the Group result mainly from the order backlog at the end of the year in the amount of €157,368 thousand (previous year: €45,100 thousand).

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

Contract balances

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

Reconciliation 2021	Reconciliation 2020	Group 2021	Group 2020 (adjusted)
0	0	544,539	389,751
–11,608	–8,974	0	0
–11,608	**–8,974**	**544,539**	**389,751**
–926	–3,353	9,708	8,800
–11,490	–8,962	317,305	186,604
0	0	95,310	86,994
0	117	18,630	18,259
–893	–3,317	81,600	70,516
58	–386	50,860	33,574
309	–131	49,339	30,617
0	0	24,660	23,619
0	0	212,426	182,997

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

in € '000	31/12/2021	31/12/2020
Trade receivables	82,363	56,158
Contract assets	121	296
Contract liabilities	–157	–148

In 2021, revenue in the amount of €148 thousand – included in contract liabilities as at 1 January 2021 – was realised (previous year: €0 thousand). The changes in the balances of contract assets and contract liabilities relate to the addition and the completion of projects in the financial year. In the financial year, as in the previous year, no impairments were recognised on contract balances for reasons of materiality.

GERMANY

in € '000	2021	2020
Domestic revenue	111,175	89,147
Non-current assets	81,777	76,734

REVENUE BY BUSINESS LINE

in € '000	2021	2020
Industry	228,722	137,329
Advertising & Building	78,432	36,553
Infrastructure	69,819	55,262
Mobility	54,845	13,115
Others	112,721	147,492
Revenues from external customers	**544,539**	**389,751**

[8] Other income

Other income includes the following items:

in € '000	2021	2020
Income from foreign currency translation	3,406	1,790
Reversal of provisions/Deferrals and accruals	406	3,866
Income from disposal of property, plant and equipment	201	41
Income from services and commissions	176	142
Income from rental and lease	25	28
Miscellaneous other income	5,495	2,932
	9,708	**8,800**

The increase in miscellaneous other income is largely due to the receipt of government liquidity assistance in the Americas segment, under the Paycheck Protection Program („PPP"), in the amount of €4,163 thousand.

[9] Cost of materials

The cost of materials includes the following items:

in € '000	2021	2020
Cost of raw materials, consumables and supplies	314,845	184,971
Cost of purchased services	2,460	1,633
	317,305	**186,604**

[10] Staff costs

Staff costs include the following items:

in € '000	2021	2020
Wages and salaries	74,814	67,608
of which from long-term employee benefits	926	1,286
Expenses relating to social security	15,003	14,142
Expenses relating to pensions	5,492	5,244
	95,310	**86,994**

Staff costs include employment termination indemnities totalling €377 thousand (previous year: €601 thousand).

Expenses relating to social security include defined contribution plans governed by German legislation (statutory pension insurance) totalling €4,898 thousand (previous year: €4,610 thousand).

[11] Research and development expenses

Research and development expenses amounted to €5,234 thousand in the period under review (previous year: €4,351 thousand). Expenses are mainly comprised of staff costs, material costs and depreciation of property, plant and equipment. As in the previous year, no development costs were capitalised in the financial year under review.

[12] Other expenses

Other expenses comprise the following items:

in € '000	2021	2020
Outward freight	21,828	16,474
Other selling expenses	11,676	9,922
Maintenance expenses	14,860	13,174
Other administrative expenses	11,275	12,346
Expenses for packaging material	10,840	7,992
Other operating costs	4,360	3,524
Rental and lease expenses	1,195	992
Losses from disposal of assets	693	479
Losses from the derecognition of financial assets and impairment losses	592	790
Expenses from foreign currency translation	2,271	1,971
Other	2,010	2,852
	81,600	**70,516**

The increase in other expenses is mainly due to higher freight and packaging costs as a result of economic recovery.

[13] Net finance income/cost

in € '000	2021	2020 (adjusted)
Finance income	**3,309**	**1,452**
of which income from the translation of financing-related monetary balance sheet items	3,073	1,263
of which interest from loans and receivables	128	124
of which other finance income	33	64
of which from income from equity investments	75	0
Finance cost	**5,167**	**4,581**
of which expenses from the translation of financing-related monetary balance sheet items	4,078	3,175
of which interest expenses from termination benefits	960	1,117
of which interest expenses from borrowings and financial liabilities	324	289
of which depreciation, amortisation and write-downs of financial assets	–195	0
Net finance cost	**–1,858**	**–3,129**

Income and expenses from the translation of financing-related monetary balance sheet items mainly result from the exchange rate risk of intragroup financing transactions denominated in foreign currencies and of cash and cash equivalents denominated in foreign currencies.

[14] Income taxes

The principal elements of income tax expense are as follows:

in € '000	2021	2020
Current tax		
Current tax expense	8,779	8,880
Adjustments of current tax attributable to previous periods	824	–343
Deferred tax		
Origination and reversal of temporary differences	3,585	–1,289
Change in loss carryforwards and tax credits recognised	–346	73
Income tax expense reported in Group income statement	**12,842**	**7,321**

Reconciliation between income tax expense and the product of profit for the year carried in the statement of financial position and the tax rate applicable to the Group is as follows:

in € '000	2021	2020 (adjusted)
Earnings before taxes (EBT)	**49,339**	**30,617**
Income tax expense at German tax rate of 29.48% (prev. year: 29.48%)	14,545	9,042
Adjustments of current tax attributable to previous periods	824	–343
Unrecognised deferred tax assets relating to tax losses	81	134
Recognised deferred tax assets relating to tax losses	–570	–214
Tax effect of non-deductible expenses	114	784
Tax rate differences	–566	–1,104
Changes to tax rate	0	–3
Tax-free dividend income	–1,384	25
Other tax-free income	–957	–625
Tax effects of permanent differences	–185	–254
Adjustments to carrying amount for loss carryforwards and tax credits	–54	0
Other tax effects not attributable to the period	13	0
Other	981	–121
Income tax expense at effective tax rate of 26.0% (previous year: 24.0%)	**12,842**	**7,321**
Income tax expense reported in Group income statement	**12,842**	**7,321**

Changes to the tax rates of the consolidated subsidiaries are as follows: The gradual reduction in the corporation tax rate in France to a range from 15 to 33 per cent with effect from 2018 was approved on 27 November 2017. Effective from 2019 to 2022, the corporation tax rate is to be lowered in each case to between 15 and 25 per cent.

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

Deferred taxes

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

KONZERNBILANZ

in € '000	31/12/2021	31/12/2020 (adjusted)
Deferred tax assets		
Provisions for pensions	25,341	36,900
Other provisions and liabilities	425	412
Lease liabilities IFRS 16	470	418
Inventories	1,712	1,332
Receivables and other assets	344	273
Loss carryforwards and tax credits	647	301
Property, plant and equipment	938	868
Other items	391	437
	30,269	**40,941**
Deferred tax liabilities		
Goodwill	3,334	124
Other intangible assets	1,726	2,382
Right-of-use assets IFRS 16	466	409
Property, plant and equipment	12,859	11,646
Inventories	7,486	3,893
Receivables and other assets	281	159
Other provisions and liabilities	56	22
Other items	1,228	1,019
	27,436	**19,654**
Set-off	–12,516	–8,782
Deferred tax assets	**17,753**	**32,159**
Deferred tax liabilities	**–14,921**	**–10,872**
Net balance sheet position	**2,832**	**21,287**

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

in € '000	2021	2020 (adjusted)
Beginning of the period 1 January	**21,287**	**14,291**
Income tax expense (income)	–3,239	1,216
Amount recognised directly in equity (total comprehensive income)	–12,364	5,800
Currency translation	–535	539
Additions from company acquisitions	–2,317	–559
End of period 31 December	**2,832**	**21,287**

At the end of the reporting period, loss carryforwards amounted to €10,270 thousand (previous year: €10,120 thousand). Deferred tax assets of €647 thousand (previous year: €302 thousand) were recognised on loss carryforwards of €9,203 thousand (previous year: €8,196 thousand). Beyond this, no other deferred tax assets were recognised, as the losses may not be used for the purpose of set-off with the taxable profit of other Group companies.

Expiry date of tax loss carryforwards:

in € '000	2021	2020
Between 3 and 20 years	10,270	9,699
	10,270	**9,699**

Deferred tax assets of around €394 thousand (previous year: €60 thousand) are expected to be realised in the subsequent financial year.

[15] Earnings per share

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

The following table presents the amounts relevant to the calculation of basic and diluted earnings per share (prior-year figure adjusted due to the stock split):

in € '000 or units of 1,000	2021	2020 (adjusted)
Profit or loss attributable to ordinary equity holders of the parent company	37,020	23,129
Weighted average number of ordinary shares (without treasury shares) to calculate basic earnings per share	5,700	5,700
Weighted average number of ordinary shares (without treasury shares) to calculate diluted earnings per share	5,700	5,700
Basic earnings per share (in €)	6.49	4.06
Diluted earnings per share (in €)	6.49	4.06

[16] Paid and proposed dividends

During the financial year a dividend, attributable to the ordinary shares of the parent company, in the amount of €1.20 (previous year: €1.00) per share, after stock split, was declared and distributed. The total payment made in the financial year under review amounted to €6,840 thousand (previous year (adjusted): €5,700 thousand). A dividend proposal of €1.70 per share will be submitted to the Annual General Meeting of Shareholders. The proposed total dividend was not recognised as a liability at the end of the reporting period. The corresponding payment would total €10,200 thousand (previous year (adjusted): €6,840 thousand).

Notes to the Group statement of financial position

[17] Intangible assets

31/12/2021

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

Goodwill was as follows:

in € '000	**01/01/ 2021**	**Additions/ disposals**	**Write-down**	**Change in foreign exchange rate**	**31/12/ 2021**
SIMONA Boltaron Inc., USA	21,778	0	0	1,817	23,595
SIMONA America Industries LLC / Power Boulevard Inc., USA	2,135	0	0	158	2,293
SIMONA PMC LLC, USA	4,116	0	0	343	4,459
SIMONA Stadpipe AS, Norway	4,869	0	0	235	5,104
SIMONA PLASTECH Levha Sanayi Anonim Şirketi	0	8,249	0	–3,446	4,803
	32,897	**8,249**	**0**	**–893**	**40,254**

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

31/12/2021

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

31/12/2020

	Residual book value in € ,000	Remaining period of amortisation
SIMONA Boltaron Inc., USA	207	< 1 year
SIMONA AMERICA Industries LLC / Power Boulevard Inc., USA	429	3 years
SIMONA PMC, LLC, USA	1,791	12 years
SIMONA Stadpipe AS, Norway	1,496	10 years
Total	**3,923**	

Impairment of goodwill

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

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

SIMONA Boltaron Inc.

The impairment test of CGU SIMONA Boltaron Inc. comprises the entire unit of SIMONA Boltaron Inc. The following parameters were applicable: four-year planning period, revenue growth, EBITDA margin and discount rate at end of planning period. The discount rate after tax is 6.48 per cent and 6.14 per cent before tax (previous year: 5.54 per cent and 6.76 per cent) for the planning period and 4.44 per cent (previous year: 4.04 per cent) for the period beyond. The applicable growth rate subsequent to the end of the planning period is 1.7 per cent (previous year: 1.5 per cent). A reduction of the EBITDA margin, revenue growth and the discount rate by 0.5 percentage points did not result in an impairment of goodwill.

SIMONA PMC LLC

The impairment test of CGU SIMONA PMC LLC comprises the entire unit of SIMONA PMC LLC. The following parameters were applicable: four-year planning period, revenue growth, EBITDA margin and discount rate at end of planning period. The discount rate after tax is 6.26 per cent and 5.17 per cent before tax (previous year: 5.54 per cent and 7.22 per cent) for the planning period and 3.47 per cent (previous year: 4.04 per cent) for the period beyond. The applicable growth rate subsequent to the end of the planning period is 1.7 per cent (previous year: 1.5 per cent). A reduction of the EBITDA margin, revenue growth and the discount rate by 0.5 percentage points did not result in an impairment of goodwill.

SIMONA AMERICA Industries LLC / Power Boulevard Inc.

The impairment test of CGU SIMONA AMERICA Industries LLC/ Power Boulevard Inc. comprises the entire unit of SIMONA AMERICA Industries LLC as well as Power Boulevard Inc. The following parameters were applicable: four-year forecasting period, revenue growth, EBITDA margin and discount rate at end of forecasting period. The discount rate after tax is 6.48 per cent and 6.14 per cent before tax (previous year: 5.54 per cent and 6.81 per cent) for the planning period and 4.44 per cent (previous year: 4.04 per cent) for the period beyond. The applicable growth rate subsequent to the end of the planning period is 1.7 per cent (previous year: 1.5 per cent). A reduction of the EBITDA margin, revenue growth and the discount rate by 0.5 percentage points did not result in an impairment of goodwill.

SIMONA Stadpipe AS

The impairment test of CGU SIMONA Stadpipe AS comprises the entire unit of SIMONA Stadpipe AS. The following parameters were applicable: four-year planning period, revenue growth, EBITDA margin and discount rate at end of planning period. The discount rate after tax is 7.37 per cent and 6.04 per cent before tax (previous year: 7.70 per cent and 9.62 per cent) for the planning period and 4.64 per cent (previous year: 6.50 per cent) for the period beyond. The applicable growth rate subsequent to the end of the planning period is 1.4 per cent (previous year: 1.2 per cent). A reduction of the EBITDA margin, revenue growth and the discount rate by 0.5 percentage points did not result in an impairment of goodwill.

SIMONA PLASTECH Levha Sanayi Anonim Şirketi

The impairment test relating to the CGU SIMONA PLASTECH Levha Sanayi Anonim Şirketi includes the entire business unit of SIMONA PLASTECH Levha Sanayi Anonim Şirketi. The following parameters were applicable: four-year planning period, revenue growth, EBITDA margin and discount rate at end of planning period. The discount rate after tax is 21.9 per cent and 18.2 per cent before tax for the planning period and 14.9 per cent for the period beyond. The applicable growth rate subsequent to the end of the planning period is 3.3 per cent. A reduction of the EBITDA margin, revenue growth and the discount rate by 0.5 percentage points did not result in an impairment of goodwill.

31/12/2020

in € '000	Patents and licences	Customer base	Goodwill	Total
Balance at 1 January 2020 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	3,579	3,691	30,737	38,007
Additions	95	0	0	95
Additions from business combinations	783	1,547	4,869	7,199
Transfer	8	46	0	53
Disposals	0	0	0	0
Depreciation/amortisation during the financial year	–681	–1,122	–143	–1,946
Effects of changes in foreign currency exchange rates	–195	–239	–2,565	–2,999
Balance at 31 December 2020 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	**3,589**	**3,923**	**32,897**	**40,409**
Balance at 1 January 2020				
Cost of purchase or conversion	12,187	9,483	31,452	53,122
Accumulated depreciation/ amortisation	–8,608	–5,792	–715	–15,115
Carrying amount	**3,579**	**3,691**	**30,737**	**38,007**
Balance at 31 December 2020				
Cost of purchase or conversion	12,635	10,229	33,756	56,620
Accumulated depreciation/ amortisation	–9,047	–6,306	–859	–16,212
Carrying amount	**3,589**	**3,923**	**32,897**	**40,409**

[18] Property, plant and equipment

31/12/2021

in € ’000	Land and buildings	Plant and equipment	Prepayments and assets under construction	Total
Balance at 1 January 2021 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	44,370	84,853	11,585	140,808
Additions	262	7,237	17,453	24,953
Additions from business combinations	0	1,316	0	1,316
Transfer	329	8,009	–8,338	0
Disposals	0	–812	0	–812
Depreciation/amortisation during the financial year	–2,365	–13,429	0	–15,794
Transfer depreciation/amortisation	4	–4	0	0
Effects of changes in foreign currency exchange rates	1,713	2,366	391	4,470
Balance at 31 December 2021 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	**44,314**	**89,536**	**21,091**	**154,941**
Balance at 1 January 2020				
Cost of purchase or conversion	90,824	289,681	11,585	392,090
Accumulated depreciation/amortisation and impairments	–46,454	–204,829	0	–251,282
Carrying amount	**44,370**	**84,853**	**11,585**	**140,808**
Balance at 31 December 2021				
Cost of purchase or conversion	93,897	308,471	21,091	423,458
Accumulated depreciation/amortisation and impairments	–49,583	–218,935	0	–268,517
Carrying amount	**44,314**	**89,536**	**21,091**	**154,941**

The prepayments of €10,886 thousand (previous year: €5,375 thousand) and the assets under construction of €10,205 thousand (previous year: €6,210 thousand) relate primarily to investments to expand operations at the sites in Kirn and Ringsheim, Germany, as well as investment projects at the plants in the United States and China.

31/12/2020

in € '000	Land and buildings	Plant and equipment	Prepayments and assets under construction	Total
Balance at 1 January 2020 (Cost of purchase/ conversion, taking into account accumulated depreciation/amortisation and impairments)	44,418	78,810	15,491	138,719
Additions	1,984	8,479	9,876	20,338
Additions from business combinations	1,342	1,466	0	2,808
Transfer	389	13,014	–13,456	–53
Disposals	–10	–546	0	–557
Depreciation/amortisation during the financial year	–2,425	–13,924	0	–16,348
Effects of changes in foreign currency exchange rates	–1,328	–2,446	–324	–4,098
Balance at 31 December 2020 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	**44,370**	**84,853**	**11,585**	**140,808**
Balance at 1 January 2020				
Cost of purchase or conversion	88,827	280,125	15,491	384,443
Accumulated depreciation/amortisation and impairments	–44,409	–201,315	0	–245,724
Carrying amount	**44,418**	**78,810**	**15,491**	**138,719**
Balance at 31 December 2020				
Cost of purchase or conversion	90,824	289,681	11,585	392,090
Accumulated depreciation/amortisation and impairments	–46,454	–204,829	0	–251,282
Carrying amount	**44,370**	**84,853**	**11,585**	**140,808**

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

Gebäude	20–40 Jahre
Technische Anlagen, Betriebs- und Geschäftsausstattung	5–20 Jahre

[19] IFRS 16 „Leases“

The following items are presented in the statement of financial position in connection with leases:

in € ’000	31/12/2021	31/12/2020
Land and buildings	1,096	878
Technical equipment, operating and office equipment	933	902
	2,029	**1,780**

in € ’000	31/12/2021	31/12/2020
Current liabilities under leases	880	752
Non-current liabilities under leases	1,181	1,051
	2,060	**1,803**

31.12.2021

in € ’000	Up to 1 year	1 to 5 years	More than 5 years	Total
Future lease payments	974	1,237	11	2,222
Discounting	31	9	0	40
Present value	**943**	**1,228**	**11**	**2,182**

31.12.2020

in € ’000	Up to 1 year	1 to 5 years	More than 5 years	Total
Future lease payments	806	1,127	1	1,934
Discounting	69	62	0	131
Present value	**737**	**1,065**	**1**	**1,803**

The conclusion of new lease agreements led to additions to right-of-use assets amounting to €1,183 thousand (previous year: €475 thousand) in the 2021 financial year.

The income statement shows the following amounts related to leases:

Depreciation of right-of-use assets

in € ’000	2021	2020
Land	95	87
Buildings	358	346
Machinery	68	39
Operating and office equipment	17	10
Motor vehicles	437	350
Industrial trucks	44	28
Total	**1,019**	**861**

Expenses from leases

in € ’000	31/12/2021	31/12/2020
Interest expense from liabilities under leases	34	37
Expense relating to short-term leases	359	430
Expense relating to leases of low-value assets	836	562

In the period under review, cash outflows from leases amounted to €2,257 thousand (previous year: €1,820 thousand).

The Group‘s leasing activities

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

There are currently no plans to exercise purchase options; extension options are included in the calculation of the present value. Lease incentives, residual value guarantees and penalty payments are currently not part of the lease arrangements. Variable lease payments amount to €0 thousand (previous year: €82 thousand) per annum.

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

[20] Investments accounted for using the equity method

This item includes the entities accounted for as associates. The investment carrying amount in respect of CARTIERWILSON, LLC, which sells products of the US subsidiaries in the United States on a commission/agency basis in its capacity as a sales representative, was €977 thousand (previous year: €978 thousand).

The interests in Techniform Industries LLC (formerly Sandusky Technologies LLC), Fremont, USA, were fully impaired and sold back to the issuer without any value (previous year: €141 thousand).

The profit from investments accounted for using the equity method was €337 thousand (previous year: €172 thousand) in total.

[21] Inventories

in € '000	31/12/2021	31/12/2020
Raw materials and consumables used	57,202	31,500
Work in progress	1,554	730
Finished goods and merchandise	61,404	52,371
Prepayment for inventories	787	293
	120,948	**84,893**

The amount of impairments of inventories recognised in the cost of materials increased in the period under review by €1,286 thousand to €10,871 thousand compared to the previous year; of this amount, write-downs relating to the net realisable value of finished goods in the amount of €524 thousand were made (previous year: €268 thousand).

[22] Trade receivables

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

in € '000	31/12/2021	31/12/2020
Gross carrying amount	**84,839**	**58,638**
Of which past due within the following time ranges		
Not overdue	77,022	50,908
up to 30 days	4,763	5,432
between 31 and 60 days	2,133	1,024
between 61 and 90 days	267	–144
more than 91 days	654	1,417

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

in € '000	2021	2020
1 January	2,480	2,310
Exchange differences	38	126
Increase in impairment in financial year (recognised in profit and loss)	347	82
Written off as uncollectible	–371	–12
Not used and reversed	–18	–26
31 December	**2,476**	**2,480**
Net carrying amount	**82,363**	**56,158**

EXPECTED LOSS RATES

in per cent	31/12/2021	31/12/2020
Country risks	0.0–13.0	0.0–13.0
Industry risks	1.0–3.8	1.0–3.5

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

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

in € '000	2021	2020
Expenses attributable to the derecognition of trade receivables	326	138
Income attributable to amounts received in connection with derecognised trade receivables	30	69

[23] Other assets and tax assets

in € '000	31/12/2021	31/12/2020
Receivables from value-added tax	2,816	845
Prepayments	317	269
Advance payments for future periods	975	899
Receivables from energy tax	1,250	1,191
Contract assets	121	296
Other receivables	5,434	2,546
	10,913	**6,046**

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

Tax assets amount to €8,172 thousand (previous year: €2,805 thousand) and are attributable primarily to the Americas segment.

[24] Cash and cash equivalents

in € '000	31/12/2021	31/12/2020
Bank balances and cash on hand	54,055	85,349
	54,055	**85,349**

Bank balances bear interest on the basis of floating interest rates applicable to deposits payable on demand. No restraints on use are known apart from the local statutory restrictions applicable to the subsidiaries in China. At the end of the reporting period cash attributable to the Chinese entities amounted to €1,495 thousand (previous year: €1,090 thousand).

At the end of the year, the Group had undrawn borrowing facilities of €36,695 thousand (previous year: €28,559 thousand).

[25] Equity

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

Share capital

At the end of the reporting period, the share capital of SIMONA AG was divided into 6,000,000 no-par-value shares (previous year (before stock split): 600,000). These shares are classified as ordinary bearer shares. Each no-par-value share has a notional interest of €2.58 in the company's share capital (previous year (before stock split): €25.83). The ordinary shares have been issued and fully paid in.

in € '000	31/12/2021	31/12/2020
Share capital	15,500	15,500
Issued capital	**15,500**	**15,500**

Capital reserves

in € '000	31/12/2021	31/12/2020
Share premium from the issuance of stock	15,274	15,274
Capital reserves	**15,274**	**15,274**

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.

Revenue reserves

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

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

For information on adjustments to previous year's figures, please refer to Chapter 2 „Accounting policies".

Other reserves

in € '000	31/12/2021	31/12/2020
Currency translation effects	6,580	818
Other reserves	**6,580**	**818**

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

in € '000	31/12/2021	31/12/2020
Exchange differences on translating financial statements of subsidiaries	–4,402	–9,030
Exchange differences on translating net investments	–2,433	–1,968
Exchange differences relating to currency translation	**–6,835**	**–10,998**
Deferred taxes from currency translation	240	610
Exchange differences	**–6,595**	**–10,388**

Treasury shares

The item includes €597 thousand in treasury shares (previous year adjusted: €597 thousand) and corresponds to 5 per cent of the shares in SIMONA AG. Regarding the adjustments of the previous year's figures, we refer to Chapter 2 „Accounting policies".

Non-controlling interests

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

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

The non-controlling interests correspond to the applicable voting rights and amount to 49 per cent. Revenue generated by this entity amounted to €4,884 thousand in the period under review (previous year: €3,277 thousand). The total payment made in the financial year under review amounted to €85 thousand (previous year: €57 thousand). Total assets of the company amount to €1,973 thousand and consist mainly of current assets (€1,963 thousand). The liabilities are entirely current (€730 thousand).

SIMONA Stadpipe AS, Stadlandet, Norway

The non-controlling interests correspond to the applicable voting rights and amount to 25.07 per cent. Revenue generated by this entity amounted to €12,729 thousand in the period under review (previous year: €5,028 thousand). No distributions were made in the financial year. The balance sheet total of the company amounts to €12,599 thousand and consists of current assets (€4,624 thousand) and non-current assets (€7,975 thousand) as well as current liabilities (€2,683 thousand) and non-current liabilities (€970 thousand).

SIMONA PLASTECH Levha Sanayi Anonim Şirketim, Düzce, Turkey

The non-controlling interests correspond to the applicable voting rights and amount to 30.00 per cent. Revenue generated by this entity amounted to €17,279 thousand in the period under review. No distributions were made in the financial year. The company's balance sheet total amounts to €25,665 thousand and consists of non-current assets (€14,942 thousand) and current assets (€10,723 thousand) as well as current liabilities (€12,298 thousand) and non-current liabilities (€2,335 thousand).

There are no restraints in place as regards the right of SIMONA AG to access or use assets of the aforementioned subsidiaries and to meet contractual obligations.

[26] Financial liabilities

Financial liabilities are comprised of the following items:

in € '000	Due date	31/12/2021	31/12/2020
Non-current financial liabilities			
Pro-rata bank loan of €26,229 thousand (nominal amount), (principal repayments due after 31/12/2022)	2023–2024	5,005	8,430
		5,005	**8,430**
Current financial liabilities			
Pro-rata bank loan of €26,229 thousand (nominal amount), (principal repayments due up to 31/12/2022) principal repayments due	01/2022–12/2022	8,920	3,425
		8,920	**3,425**

As regards loans from banks, fixed interest rates of between 1.8 per cent and 2.1 per cent have been agreed in respect of KfW funds. Interest is computed either on the basis of the nominal amount of the loan or the remaining amount of the loan. As in the previous financial year, the overdraft facility of SIMONA AG, with its floating interest rate calculated on the basis of EONIA (Euro OverNight Index Average), had not been utilised at the end of the year.

Other financial liabilities comprise the following items:

in € '000	Due date	31/12/2021	31/12/2020
Non-current other financial liabilities			
Put/call options from company acquisitions	until 2025	11,432	8,196
Other	Immediately	616	463
		12,048	**8,659**
Current other financial liabilities			
Accounts receivable with credit balances	Immediately	3,038	1,989
		3,038	**1,989**

Accounting for put and call options from company acquisitions

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

In this context, both parties have the right to acquire/dispose of the 25.07 per cent of interests in SIMONA Stadpipe AS held by the seller. This right can be exercised on two pre-agreed dates in the future. Accordingly, a synthetic liability was recognised for the put option in accordance with IAS 32.23, the value of which is determined on the basis of the contractual parameters using mathematical methods. In accordance with IAS 32.23, this was reclassified accordingly from equity at the time of addition; non-controlling interests continue to be presented accordingly. Subsequent measurement is carried out in accordance with IFRS 10.23 without affecting profit or loss.

[27] Pensions

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

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

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

The underlying expert opinions were prepared on 6 January 2022.

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

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

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

in € '000	2021	2020
DBO at beginning of reporting period	74,018	69,718
Service cost	1,327	1,314
Interest cost	367	626
Remeasurement actuarial gains/losses	–9,756	4,441
due to changes in financial assumptions	–9,091	5,666
due to changes in the entitlement base	–675	–1,234
due to other changes in value	10	9
Benefits paid	–1,826	–1,824
Employer contribution	–218	–257
DBO at end of reporting period	**63,910**	**74,018**
of which non-current liability	62,038	72,245
of which current liability	1,872	1,773

The Group anticipates benefit payments of €1,872 thousand (previous year: €1,773 thousand) in connection with defined benefit pension plans for the 2022 financial year.

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

Parameters	31/12/2021	31/12/2020
Discount rate	1.21 %	0.50 %
Salary increase	2.50 %	2.50 %
Pension increases	1,87 %	1.87 %
Mortality (mortality tables published by Prof. Dr. K. Heubeck)	2018 G	2018 G

A change of half a percentage point each in the above-mentioned basic assumptions used for the purpose of determining the DBO as at 31 December 2021 would increase or decrease the DBO as outlined below. This was determined on the basis of the projected unit credit method as well as the parameters mentioned:

	Change in DBO if parameters are changed by half a percentage point as at 31 December 2021 in € '000 (previous year)	
Parameters	Increase	Decrease
Discount rate	–5,399 (–6,822)	6,207 (7,917)
Salary increase	748 (1,026)	–705 (–964)
Pension increase	4,610 (5,732)	–4,151 (–5,135)

The decline in mortality rates by 10 per cent results in an increase in life expectancy dependent on the individual ages of each participant. The DBO at the end of the reporting period would increase by €2,467 thousand (previous year: €3,064 thousand) following a reduction in the mortality rate by 10 per cent and would decrease by -€2,171 thousand (previous year: -€2,682 thousand) following a 10 per cent increase in the mortality rate.

The weighted average duration of the DBO attributable to defined benefit pension plans is 17.8 years (previous year: 19.4 years).

As regards the internal multifinanced defined contribution plan, the total expense for SIMONA AG was €35 thousand (previous year: €30 thousand) in the period under review.

[28] Company welfare institutions

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

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

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

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

in € '000	2021	2020 (adjusted)
DBO at beginning of reporting period	123,785	110,403
Service cost	3,976	3,669
Interest cost	614	997
Remeasurement actuarial gains/losses	–20,394	10,232
due to changes in financial assumptions	–18,614	11,323
due to changes in the entitlement base	–1,780	–1,091
Benefits paid	–1,554	–1,517
DBO at end of reporting period	**106,427**	**123,785**
Fair value of plan assets at the beginning of the year	25,674	26,913
Returns on plan assets	124	238
Allocation plan assets	350	350
Remeasurement	10,143	–310
Benefits paid	–1,554	–1,517
Fair value of plan assets at the end of the year	34,737	25,674
Deficit	**–71,690**	**–98,111**

The Group anticipates benefit payments of €1,782 thousand (previous year: €1,701 thousand) in connection with indirect defined benefit pension plans for the 2022 financial year.

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

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

The change in the deficit as at 31 December 2021 is attributable primarily to the remeasurement implemented due to the impairment of plan assets.

A change of half a percentage point each in the above-mentioned basic assumptions used for the purpose of determining the DBO as at 31 December 2021 would increase or decrease the DBO as follows (cf. also Note [27]):

	Change in DBO if parameters are changed by half a percentage point as at 31 December 2021 in € ,000 (previous year)	
Parameters	**Increase**	**Decrease**
Discount rate	–10,810 (–13,612)	12,656 (16,090)
Salary increase	3,708 (4,971)	–3,401 (–4,541)
Pension increase	7,832 (9,637)	–7,095 (–11,323)

The decline in mortality rates by 10 per cent results in an increase in life expectancy dependent on the individual ages of each participant. The DBO at the end of the reporting period would increase by €4,201 thousand (previous year: €5,307 thousand) following a reduction in the mortality rate by 10 per cent and would decrease by -€3,714 thousand (previous year: -€4,664 thousand) following a 10 per cent increase in the mortality rate.

The composition of plan assets is presented below:

FAIR VALUE AT

in € '000	31/12/2021	31/12/2020 (adjusted)
Category of assets		
Shares in SIMONA AG	23,400	14,220
Time deposits	2,887	2,814
Investment funds	8,061	8,240
Cash and cash equivalents	389	400
Total plan assets	**34,737**	**25,674**

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

The weighted average duration of the DBO relating to defined benefit pension plans of SIMONA Sozialwerk GmbH is 21.7 years (previous year: 23.5 years).

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

in € '000	31/12/2021	31/12/2020 (adjusted)
Liability at beginning of reporting period	98,111	83,490
Service cost	3,976	3,669
Net interest expense	417	620
Remeasurement actuarial gains/losses	–20,394	10,232
due to changes in financial assumptions	–18,614	11,323
due to changes in the entitlement base	–1,780	–1,091
Remeasurement from plan assets	9,974	–10,132
Liability at end of reporting period	**71,690**	**98,111**

[29] Other provisions

in € '000	Personnel-related obligations	Guarantees/ warranties	Other	Total
Balance at 1 January 2020	**1,394**	**4,430**	**–40**	**5,784**
Allocated	143	415	242	799
Used	36	290	2	327
Reversed	0	116	0	116
Exchange differences	0	64	–4	60
Effect of time value of money	0	–2	0	–2
Reclassified to other balance sheet items	0	0	0	0
Balance at 31 December 2021	**1,501**	**4,501**	**195**	**6,197**
Current provisions	343	1,814	–41	2,115
Non-current provisions	1,159	2,687	236	4,082
Balance at 31 December 2021	**1,501**	**4,501**	**195**	**6,197**

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

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

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

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

[30] Other liabilities

Other liabilities comprise the following items:

in € '000	31/12/2021	31/12/2020
Payables to workforce	10,455	8,451
Payables relating to social security	1,783	1,536
Liabilities relating to credit notes and commissions	1,059	501
Tax payables	2,034	1,040
Liabilities from contracts with customers	157	148
Other	4,701	7,186
	20,189	**18,862**

In the previous year, the item „Other" mainly included government liquidity assistance in the amount of €4,011 thousand in the Americas segment, which was paid out via banks in the previous year as part of the Paycheck Protection Program („PPP"). As the applications for loan forgiveness have been confirmed by the executing bank in the meantime, the liabilities were reversed to profit/loss. In addition, the item includes deferrals/accruals for outstanding invoices, complaints and advance payments received.

[31] Statement of cash flows

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

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

in € '000	31/12/2021	31/12/2020
Cash and cash equivalents	54,055	85,349
	54,055	**85,349**

The effects of changes to cash and cash equivalents attributable to exchange rates were €1,843 thousand (previous year: -€2,286 thousand) at Group level.

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

At the beginning of the financial year, financial debts amounted to €11,855 thousand. In the current financial year, a total of €1,585 thousand was added through the acquisition of the company, an amount of €5,010 thousand was repaid and a sum of €5,475 thousand was newly borrowed, while a total of €20 thousand was attributable to other changes. As at 31 December 2021, therefore, financial liabilities amounted to €13,925 thousand.

[32] Related-party disclosures

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

Management Board

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

Supervisory Board

- Dr. Rolf Goessler, Bad Dürkheim (until 2 June 2021)
  Diplom-Kaufmann
  Chairman of the Supervisory Board (until 2 June 2021)
  Member of the Supervisory Board of J. Engelsmann AG, Ludwigshafen

- Dr. Klaus F. Erkes (since 2 June 2021)
  Diplom-Wirtschaftsingenieur
  Chairman of the Supervisory Board (since 2 June 2021)
  Chairman of the Managing Board of Zollern GmbH & Co.KG (CEO), Sigmaringen
  Member of the Supervisory Board of Semperit AG, Vienna
  Member of the Advisory Board of Karl Mayer Stoll Textilmaschinenfabrik GmbH, Obertshausen
  President of the UVS (Unternehmerverband Landkreis Sigmaringen)
- Roland Frobel, Isernhagen,
  Tax Consultant
  Deputy Chairman of the Supervisory Board (until 2 June 2021)
  Member of the Supervisory Board (Chairman since 1 October 2021) 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
  Deputy Chairman of the Supervisory Board (since 2 June 2021)
- Martin Bücher, Biberach
  Chairman of the Executive Board of Kreissparkasse Biberach, Biberach
  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 Hohlreiter, Becherbach
  Employee Representative
- Markus Stein, Mittelreidenbach
  Employee Representative

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

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

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

Dr. Roland Reber, member of the Supervisory Board of SIMONA AG, is also the Managing Director of Ensinger GmbH; Nufringen. In the financial year under review, product sales amounting to €5,419 thousand (previous year: €3,644 thousand) were transacted between SIMONA AG and the entities of the Ensinger Group.

Dean Li, who resigned as CEO of SIMONA Boltaron Inc. in the period under review, is also the owner of Techniform Industries LLC (formerly Sandusky Technologies LLC, Freemont, USA). SIMONA Boltaron Inc. generated revenue from product sales of €561 thousand to Techniform Industries LLC in the year under review.

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

Receivables from related parties relate to trade receivables from the Ensinger Group totalling €649 thousand (previous year: €579 thousand).

Payables to related parties consist of compensation to Supervisory Board members of SIMONA AG and amount to €237 thousand in the period under review (previous year: €135 thousand). There are no other outstanding balances or obligations towards related parties.

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

Business relationships exist with associates on a commission/agency basis in respect of the sale of products in the United States; this business totals €3,496 thousand (previous year: €2,750 thousand). At the end of the reporting period, receivables from associated companies amounted to €1,769 thousand (previous year: €48 thousand).

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

Compensation of members of the Management Board and Supervisory Board

MANAGEMENT BOARD COMPENSATION ACCORDING TO IAS 24.17:

in € '000	2021	2020
Short-term benefits		
Fixed salary and fringe benefits	928	926
Annual bonus	784	622
	1,712	**1,548**
Other long-term benefits	1,006	582
Total compensation	**2,718**	**2,130**

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. Members of the Management Board do not receive grants in respect of state-managed defined contribution plans, nor do they receive share-based payments or loans. Due to a conversion to reinsured defined contribution plans for active members of the Management Board, pension obligations in respect of these members amount to €422 thousand, which were offset against plan assets in the same amount. Expenses of €172 thousand (previous year: €172 thousand) were recognised for these commitments under other long-term benefits.

Full allocations have been made to pension provisions for former members of the Management Board and their surviving dependants. At the end of the reporting period, these amounted to €15,972 thousand (previous year: €18,443 thousand).

Compensation of former Management Board members and their surviving dependants amounted to €473 thousand (previous year: €466 thousand).

Supervisory Board compensation for the financial year under review amounted to €327 thousand (previous year: €158 thousand). Supervisory Board compensation encompasses no variable components. Alongside their Supervisory Board compensation, staff representatives appointed to the Supervisory Board received remuneration in the form of wages and salaries during the financial year under review, which included retirement benefit obligations in the generally applicable amount in respect of work performed for the company. The company does not grant share-based payments or loans to members of the Supervisory Board.

[33] Financial risk management

Principles and objectives of financial risk management

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

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

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

Currency risks

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

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

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

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

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

If, as at 31 December 2020, the euro had appreciated (depreciated) by 10 per cent against all other currencies, earnings before taxes would have been €3,154 thousand lower (€3,855 thousand higher). The hypothetical effect on profit is attributable to the following sensitivity of exchange rates:

in € '000	Effect on profit before taxes	
EUR/USD	–1,215	(1,484)
EUR/GBP	–25	(30)
EUR/CHF	–292	(357)
EUR/CZK	743	(–908)
EUR/PLN	–63	(77)
EUR/HKD	–854	(1,044)
EUR/CNY	–1,131	(1,383)
EUR/RUB	–151	(184)
EUR/SGD	–31	(–38)
EUR/NOK	–3	3
EUR/INR	–195	(9)
	–3,154	**(3,855)**

Interest-rate risk

In accordance with IFRS 7, interest-rate risks are addressed in the form of sensitivity analyses. These present the effects of changes in market interest rates on interest income, interest expense and items in the statement of financial position. Financial instruments that are generally subject to interest rate risk relate to the short-term overdraft facilities not utilised at the end of the reporting year and a short-term money market loan taken out at the end of the year. A sensitivity analysis conducted in respect of interest rates showed no relevance.

Option rights arose within the scope of the acquisition of interests in SIMONA Stadpipe AS in the 2020 financial year (see Note 30). The purchase prices calculated for the respective remaining and exercisable interests in SIMONA Stadpipe A.S. were discounted on an accrual basis. The discount rate corresponds to the incremental borrowing rate of SIMONA AG. This is subject to the usual interest rate risk.

Credit risk

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

Impairment of financial assets

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

Customer receivables exposed to a probable default risk are regularly monitored and the associated default risk is accounted for by impairment losses. The basis for determining impairment is primarily assumptions about the customer‘s country and industry risk, overdue receivables (more than 90 days) and available information about payment-related difficulties in individual cases. The country or sector risk is determined on the basis of the available S&P country ratings or historical S&P default data for sectors. The maximum potential credit risk is limited to the net carrying amount (less value-added tax) of the financial assets. The default risks mainly relate to impaired customer receivables in the Europe segment amounting to €1,887 thousand (previous year: €2,108 thousand).

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

Previous accounting policy for the impairment of trade receivables: in the previous year, the basis for the impairment was essentially considerable financial difficulties of the debtor, payment default or default (more than 90 days overdue) and increased probability that insolvency proceedings will be opened against the debtor‘s assets.

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

Liquidity risk

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

Alongside cash and cash equivalents amounting to €54.1 million (previous year: €85.3 million), the SIMONA Group has undrawn borrowing facilities of €36.7 million (previous year: €28.6 million). The Group‘s objective is to maintain a well-judged balance between ongoing coverage of cash requirements and sustained flexibility through the utilisation of borrowing facilities and loans.

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

ISSUER RATING CASH

in € '000	31/12/2021	31/12/2020
A1	1,609	3,735
A2	0	2,867
Aa2	0	10,241
Aa3	16,207	17,654
Baa1	1,383	0
Baa2	8,631	0
Baa3	0	13,585
No rating	26,225	37,267
	54,055	**85,349**

The maturity structures of payment obligations relating to the financial liabilities of the Group were as follows.

in € '000	Up to 1 year	2–5 years	More than 5 years	Total
Financial liabilities	8,920	5,005	0	13,924
Other financial liabilities	3,038	12,048	0	15,085
Trade payables	34,326	0	0	34,326
Financial liabilities 31/12/2021	**46,018**	**17,089**	**0**	**63,336**

in € '000	Up to 1 year	2–5 years	More than 5 years	Total
Financial liabilities	3,425	8,430	0	11,855
Other financial liabilities	1,989	8,659	0	10,648
Trade payables	17,426	0	0	17,426
Financial liabilities 31/12/2020	**22,840**	**17,089**	**0**	**39,929**

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

Capital management

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

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

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

The equity ratio as at 31 December 2021 was 52 per cent (previous year adjusted: 43 per cent) and is calculated as follows:

in € '000	31/12/2021	31/12/2020 (adjusted)
Issued capital	15,500	15,500
Capital reserves	15,274	15,274
Revenue reserves	219,120	163,142
Other reserves	6,580	818
Treasury shares	–597	–597
Non-controlling interests	6,161	2,612
Group equity	262,038	196,749
Total equity and liabilities	508,505	453,160
Equity ratio	**52 %**	**43 %**

The debt-to-equity ratio was 88 per cent (previous year adjusted: 125 per cent) and is calculated as follows:

in € '000	31/12/2021	31/12/2020 (adjusted)
Provisions for pensions	135,678	172,127
Financial liabilities	13,925	11,855
Trade payables	34,326	17,426
Income tax liabilities	4,086	7,035
Liabilities under leases	2,061	1,803
Other provisions	6,197	5,784
Other financial liabilities	15,086	10,648
Other liabilities	20,189	18,862
Debt	230,931	245,077
Equity	262,038	196,748
Debt-to-equity ratio	**88 %**	**125 %**

[34[Financial instruments

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

The non-current financial assets classified as „AC – Amortised Cost“ are interests in affiliated companies that are valued at acquisition cost for the purpose of simplification. No active market exists for these instruments and the fair value cannot be otherwise reliably determined. These interests are measured at cost of purchase. There are no plans to dispose of interests in the near future.

The aforementioned financial instruments predominantly have short residual terms to maturity. Therefore, their carrying amounts at the reporting date approximate their fair values.

The cash and cash equivalents held as „AC – Amortised Cost“ include time deposits with a maximum term of three months.

The fair value of loans was determined by discounting the expected future cash flows on the basis of the prevailing market rate of interest as well as by applying option pricing models. Within this context, the calculation takes into account that the loans are subject to floating or fixed interest rates on the basis of standard market terms and conditions.

FINANCIAL INSTRUMENTS

in € '000		CARRYING AMOUNT 31/12/2021	31/12/2020
Non-current financial assets	Financial assets	340	340
Current financial assets	Trade receivables	82,363	56,158
	Other financial assets	300	1,298
	Cash and cash equivalents	54,055	85,349
Non-current financial liabilities and other financial liabilities	Loans	–5,005	–8,430
	Other financial liabilities	–12,048	–8,659
Current financial liabilities and other financial liabilities	Loans	–8,920	–3,425
	Trade payables	–34,326	–17,426
	Other financial liabilities	–3,038	–1,989
Total by measurement category	AC – Amortised Cost assets	137,058	143,145
	AC – Amortised Cost liabilities	–63,336	–39,929

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

NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

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

in € '000	Interest	Fair Value	Currency translation	Impairment loss/ Disposal	Total 2020
AC assets	146	0	–1,348	–562	–1,764
AC liabilities	–190	0	49	-25	–166
	–44	**0**	**–1,299**	**–587**	**–1,930**

The Group uses the following hierarchy for the purpose of determining and disclosing the fair values of financial instruments per measurement method:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2: methods for which all inputs with a significant effect on the recognised fair value are observable either directly or indirectly; and
- Level 3: methods that use inputs which have a significant effect on the recognised fair value and are not based on observable market data.

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

Hedging transactions

Cash flow hedging instruments

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

[35] Other Information

Subsidiaries and associated companies

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

OWNERSHIP INTEREST

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

In the financial year 2021 SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Düzce, Turkey, was fully consolidated for the first time.

In the financial year 2021 the non-operating company SIMONA-PLASTICS CZ, s.r.o., Prague, Czech Republic, was deconsolidated, as the company was deleted from the relevant commercial register with the entry dated 17 December 2021. The deconsolidation effect is immaterial and amounts to less than €10 thousand.

In the financial year 2021, the company SIMONA ENGINEERING PLASTICS TRADING (SHANGHAI) CO., LTD. Shanghai, China, was also deconsolidated, as the company was deleted from the relevant commercial register on 8 September 2021. The sales activities of the company were transferred to SIMONA Engineering Plastics (Guangdong) Co. Ltd., which now operates a sales office in Shanghai. The income from deconsolidation amounts to €14 thousand.

Following the sale of the interests in Techniform Industries LLC (formerly Sandusky Technologies LLC) Freemont, USA, the resulting income from deconsolidation amounts to €59 thousand.

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

Financial assets

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

COMPANY

	Ownership interest	Equity 31/12/2020	Profit 2020
	%	€ '000	€ '000
SIMONA Sozialwerk GmbH, Kirn, Deutschland	50.0	11,398	1,029
SIMONA Vermögensverwaltungs-gesellschaft der Belegschaft mbH, Kirn, Deutschland	50.0	526	479

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

Corporate acquisitions

Effective from 1 February 2021, the Group acquired 70.00 per cent of the voting equity interests in MT Plastik AS, a non-listed entity headquartered in Düzce, Turkey. In 2021, the company was renamed SIMONA PLASTECH Levha Sanayi Anonim Şirketi.

SIMONA PLASTECH Levha Sanayi Anonim Şirketi adds new and established products to the portfolio and unlocks potential in the field of construction and advertising applications under the umbrella of the newly formed Advertising & Building business line. In making this acquisition, SIMONA aims to become a market leader in the business segment of PVC foam sheets with regard to quality, breadth of product range and market share.

The consideration (purchase price) amounts to a total of €15,414 thousand and was paid in full in cash. There are no outstanding or contingent purchase price payments. The payment for the acquisition less net cash acquired amounts to €15,396 thousand.

The following disclosures resulting from the final purchase price allocation (preliminary PPA as at end of first half in brackets) show the values of the main groups of acquired and identifiable assets and liabilities at the acquisition date: intangible assets €23,152 thousand (€16,215 thousand), property, plant and equipment €1,316 thousand (€855 thousand), right-of-use assets €332 thousand (€0 thousand), inventories €1,157 thousand (€1,157 thousand), trade receivables from customers €2,451 thousand (€2,664 thousand) and other assets €246 thousand (€189 thousand), cash and cash equivalents €17 thousand (€17 thousand), trade payables, other liabilities and financial liabilities €2,209 thousand (€2,797 thousand) and deferred tax liabilities €3,522 thousand (€3,522 thousand). The gross value of the acquired customer receivables amounts to €2,451 thousand (€2,664 thousand). No impairments or uncollectible receivables were identifiable at the date of acquisition. Intangible assets were attributable mainly to customer relationships and brands. The Group applies the full goodwill method and has therefore recognised the entire goodwill resulting from the purchase price allocation in the amount of €8,249 thousand (previous year: €6,419 thousand). It includes non-separable intangible assets such as expertise relating to personnel as well as anticipated synergy effects from the product portfolio and sales. Goodwill is not tax-deductible in Turkey. No contingent liabilities were assumed.

The equity share of the non-controlling shareholders amounts to €6,703 thousand (€4,994 thousand) at the acquisition date and was calculated on the basis of fair value. The acquired company generated revenue of €17,279 thousand within the Group for the period 1 February to 31 December 2021. If the acquired company had been included in the consolidated financial statements since 1 January 2021, Group sales revenue would have been €18,091 thousand. The costs associated with the business combination total €162 thousand and are recognised in the income statement under other expenses.

Average number of staff employed during the financial year:

GROUP

	2021	2020
Industrial staff	909	870
Clerical staff	557	526
Employees	**1,466**	**1,396**
School-leavers (apprentices)	64	60
Total number of employees	**1,530**	**1,456**

Contingent liabilities

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

ORDER COMMITMENTS

in € '000	31/12/2021	31/12/2020
Investment projects	14,472	7,924
Raw material orders	36,993	17,243
	51,465	**25,167**

The share of intangible assets in total commitments is negligible.

Declaration of Conformity regarding the German Corporate Governance Code

In accordance with Section 161 AktG, SIMONA AG – as the only exchange-listed entity within the Group – filed a Declaration of Conformity for 2021 on 6 April 2021. It has been made permanently available to shareholders on its corporate website at www.simona.de.

Disclosures under Section 313(2) HGB

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

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

Disclosures relating to the COVID-19 pandemic

No significant funding assistance or grants were received from the public sector during the 2021 financial year as part of the COVID-19 pandemic. The application for waiver of the loans in the Americas segment was submitted and confirmed by the executing banks.

The revenue forecast takes into account higher sales prices due to significantly increased raw material costs and 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. A deterioration in the level of COVID-19 infection could lead to further disruptions in the commodity market and have an adverse effect on the availability of raw materials.

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

Members of the Management Board did not report any shareholdings in SIMONA AG as at 2 June 2021 (date of the Annual General Meeting).

As at 2 June 2021 (date of the Annual General Meeting of Shareholders) the members of the Supervisory Board reported a total holding of 1,300 shares; this corresponds to approx. 0.22 per cent of the share capital of SIMONA AG.

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

Audit fees

The total fees invoiced by the independent auditor of SIMONA AG and subsidiaries were €458 thousand. These fees were attributable to the following items: year-end audit services €344 thousand, tax consulting €29 thousand and other confirmation services €85 thousand. Tax consultancy services provided by our independent auditor encompass the preparation of tax returns and the tax treatment of specific circumstances. The other assurance services relate to reviews in connection with the acquisitions and ESEF reporting.

Events after the reporting period

Effective from 28 February 2022, SIMONA AG acquired 100.0 per cent of the voting equity interests in PEAK Pipe Systems Limited (PEAK), a non-listed entity headquartered in Chesterfield, United Kingdom. The rationale behind this acquisition is to expand SIMONA's product range and strengthen its market position in the fields of infrastructure and aquaculture. PEAK's annual revenue guidance stands at around €40 million.

Due to the Russia-Ukraine conflict, bad debt losses of approximately €0.5 to 1.0 million are expected in Eastern Europe, in addition to losses of planned sales revenues of approximately €5.5 to 6.0 million. Furthermore, the company anticipates a general increase in commodity prices that was not yet calculable at the time of preparing this report.

Beyond this, no significant events occurred as at the end of the reporting period that would necessitate a change to measurements or recognised amounts.

Responsibility Statement

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

Kirn, 6 April 2022

SIMONA Aktiengesellschaft
The Management Board

Matthias Schönberg Dr. Jochen Hauck Michael Schmitz

Reproduction of the Auditor’s Report

INDEPENDENT AUDITOR‘S REPORT

To SIMONA Aktiengesellschaft, Kirn

Report on the audit of the consolidated financial statements and Group management report

Audit opinions

We have audited the consolidated financial statements of SIMONA Aktiengesellschaft, Kirn, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated income statement (statement of profit or loss), the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2021 as well as the notes to the consolidated financial statements, including a summary of material accounting policies. In addition, we have audited the Group management report of SIMONA Aktiengesellschaft, which has been combined with the Company‘s management report, for the financial year from 1 January to 31 December 2021. In accordance with German legal requirements, we have not audited the content of the non-financial statement pursuant to Section 289b(1) HGB and Section 315b(1) HGB.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to Section 315e(1) HGB and give a true and fair view of the financial position and cash flows of the Group as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31 December 2021, in accordance with these requirements, and
- the accompanying Group management report as a whole provides an appropriate view of the Group‘s position. In all material respects, the Group management report is consistent with the consolidated financial statements, complies with German statutory requirements, and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the content in respect of the above-mentioned non-financial statement.

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

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and Group management report in accordance with Section 317 HGB and the EU Audit Regulation (No 537/2014; hereinafter referred to as „EU Audit Regulation“) and 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 requirements and principles are further described in the „Auditor‘s responsibilities for the audit of the consolidated financial statements and Group management report“ section of our report. We are independent of the Group companies in accordance with the requirements of European Union law as well as German commercial law and the rules of professional conduct, and we have fulfilled our other professional responsibilities under German law in accordance with these requirements. In addition, pursuant to Article 10(2)(f) 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 audit opinion on the consolidated financial statements and Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:
1. Recoverability of goodwill
2. Measurement of inventories
3. Corporate acquisition SIMONA PLASTECH

Our presentation of these key audit matters has been structured in each case as follows:
1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1. Recoverability of goodwill

1. Goodwill totalling €40.3 million (representing 7.9% of total assets and 15.4% of equity) is reported under the „Intangible assets" item in the Company's consolidated statement of financial position. Goodwill is tested for impairment by the Company once a year, and when there are indications of impairment, to determine any possible need for write-downs. Impairment testing is carried out at the level of the groups of cash-generating units to which the relevant goodwill has been allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally calculated on the basis of the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. The present values are calculated using discounted cash flow models. For this purpose, the Group's one-year financial plan prepared by the Management Board and adopted by the Supervisory Board forms the starting point for future projections; it is supplemented by detailed forecasts for a further three planning years based on assumptions about long-term rates of growth. They also take into consideration expectations regarding future market development and assumptions relating to the macroeconomic influences. The discount rate used is the weighted average cost of capital for the relevant group of cash-generating units. The impairment test determined that no write-downs were necessary. The outcome of this assessment is dependent to a large extent on the estimates made by the Management Board with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2. As part of our audit, we reviewed the methodology employed for the purposes of performing the impairment test, among other things. After cross-checking the future cash inflows used for the calculation with the Group's approved one-year plan and the forecasts for the second to fourth planning year, we assessed the appropriateness of the calculation, in particular by comparing it with general and sector-specific market expectations. We discussed supplementary adjustments to the planning projections for the purposes of the impairment test with the members of the Company's staff responsible, and reviewed these. We also assessed whether the basis for including the costs of Group functions was accurate. In the knowledge that even relatively small changes in the discount rate can have a material impact on the value of the entity calculated by applying this method, we also focused our testing on the parameters used to determine the discount rate applied and evaluated the Company's calculation procedures. We reproduced the sensitivity analyses performed by the Company in order to reflect the uncertainty inherent in the projections. Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by the discounted future

net cash inflows. We verified that the necessary disclosures were made in the notes. Overall, the measurement inputs and assumptions used by the Management Board are in line with our expectations and are also within the ranges considered by us to be reasonable.

3. The Company's disclosures on goodwill have been included in point 17 of the notes to the consolidated financial statements.

2. Measurement of inventories

1. The company's consolidated financial statements show inventories of €120.9 million as at 31 December 2021, representing 23.8 % of total assets. Inventories are measured at the lower of cost or net realisable value. The assessment of the recoverability of inventories is influenced by significant judgement made by the Management Board, which takes into account the expectations regarding the saleability of the various products within the respective sales markets of the SIMONA Group. Write-downs are made in particular for an above-average storage period, for reduced realisability or for other reasons that have an influence on a lower net realisable value. Against this backdrop and due to the quantity and turnover rate of inventories, which, moreover, are stored at various locations and in various markets of the SIMONA Group, and the complex structure of the various write-down procedures to be applied uniformly throughout the Group 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 Group'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 net realisable value, in addition to assessing the suitability of the IT-based write-down procedures used by the Group 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. In addition, we ensured the consistent assessment of the Group-wide uniform approach to the measurement of inventories by issuing corresponding instructions to the local auditors of significant foreign Group companies. On the basis of our audit procedures, we were able to satisfy ourselves that the estimates applied and assumptions made by the Company's Management Board 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 under points 4, 5 and 21 of the notes to the consolidated financial statements.

3. Corporate acquisition SIMONA PLASTECH

1. On 1 February 2021, SIMONA Aktiengesellschaft acquired MT Plastik MS, Düzce/Turkey for a purchase consideration of €15.4 million and accounted for the business combination in the consolidated financial statements of SIMONA Aktiengesellschaft by applying the acquisition method in accordance with IFRS 3. In this context, the identifiable assets and liabilities assumed in respect of the acquiree were recognised at their fair values at the acquisition date. Taking into account the figure of €14.1 million in net assets acquired, goodwill amounted to €8.3 million. Given the material effects of the corporate acquisition on the financial position, performance and cash flows of the SIMONA Group and in view of the complexity of measurements in respect of assets and liabilities to be accounted for as part of purchase price allocation, this matter was of particular importance in the context of our audit.

2. As part of our audit, among other aspects, we conducted a thorough review of the contractual agreements relating to the corporate acquisition. In this context, we also reconciled the

purchase price paid by SIMONA AG as consideration for the assets received with the evidence submitted to us in respect of payments made. In this context, the opening balances on which the acquisition was based were assessed as part of the audit of the consolidated financial statements. In view of the specific characteristics and the complexity of the valuation with regard to the purchase price allocation, we were supported by our in-house valuation specialists. In collaboration with these experts, we assessed the valuations on which the purchase price allocation was based and verified whether the agreements of the purchase agreement had been taken into account in an appropriate manner. In particular, we assessed the assumptions and parameters used for their appropriateness. In addition, we reconstructed the presentation of the corporate acquisition in the statement of financial position as well as its presentation in the cash flow statement. By using checklists, we were able to verify the completeness of the notes required under IFRS 3. Overall, we were able to satisfy ourselves that the corporate acquisition was adequately documented and properly depicted, taking into account the information available to us.

3. The Company's disclosures on the presentation of the corporate acquisition and related goodwill are included under points 17 and 35 of the notes to the consolidated financial statements.

Other Information

The Company's Management Board is responsible for the Other Information. The Other Information includes the non-financial statement pursuant to Section 289b(1) HGB and Section 315b(1) HGB, obtained by us prior to the date of this auditor's report, as a component of the Group management report that has not been audited in respect of content.

Other Information also encompasses:

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

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

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

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

Responsibilities of the Management Board and Supervisory Board for the consolidated financial statements and the Group management report

The Management Board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the financial position, cash flows and financial performance of the Group. Furthermore, the Management Board is responsible for such internal control as it determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Moreover, the Management Board is responsible for preparing the Group management report, which as a whole provides a suitable view of the Group's position, and, in all material respects, is consistent with the consolidated financial statements, complies with German statutory requirements and appropriately presents the opportunities and risks of future development. Furthermore, the Management Board is responsible for such arrangements and measures (systems) as it determines are necessary to enable the preparation of the Group management report in compliance with the applicable requirements of German commercial law and for providing sufficient appropriate evidence for the assertions in the Group management report.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the Group management report as a whole provides a suitable view of the Group's position, as well as, in all material respects, is consistent with the consolidated financial statements and our audit findings, complies with German statutory requirements, and appropriately presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements and the Group 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 consolidated financial statements and this Group management report.

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

- Identify and assess the risks of material misstatements of the consolidated financial statements and the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 consolidated financial statements, and of the arrangements and measures relevant to the audit of the Group management report, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and Group 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view of the financial position, cash flows and financial performance of the Group in accordance with IFRS, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to Section 315e (1) HGB.

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

- Evaluate the consistency of the Group management report with the consolidated financial statements, its legal compliance, and presentation of the Group's position.

- Perform audit procedures on the prospective information presented by the Management Board in the Group management report. Based on sufficient and appropriate audit evidence, we hereby in particular trace the significant assumptions used by the Management Board as a basis for the prospective information and assess the appropriate derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is substantial unavoidable risk that future events will differ materially 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 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the assurance on the electronic reproduction/rendering of the consolidated financial statements and the Group management report prepared for publication purposes in accordance with Section 317(3a) HGB

Assurance opinion

Pursuant to Section 317(3a) HGB, we have performed a reasonable assurance engagement to determine whether the reproduction/rendering of the consolidated financial statements and the Group management report (hereinafter also referred to as „ESEF documents") contained in the file „Simona_AG_KAuKLB_ESEF-2021-12-31.zip" and prepared for publication purposes complies 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 work only covers the conversion of the information in the consolidated financial statements and the Group management report into the ESEF format and therefore relates neither to the information contained in these reproductions/renderings nor to any other information contained in the above-mentioned file.

In our opinion, the reproduction/rendering of the consolidated financial statements and the Group management report contained in the aforementioned file and prepared for the purpose of publication complies 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 consolidated financial statements and the accompanying Group management report for the financial year from 1 January to 31 December 2021 contained in the preceding „Report on the audit of the consolidated financial statements and the Group management report“, we do not express any assurance opinion on the information contained in these reproductions/renderings or on the other information contained in the aforementioned file.

Basis for assurance opinion

We conducted our assurance work on the reproduction/rendering of the consolidated financial statements and the Group management report contained in the above-mentioned file in accordance with Section 317(3a) of the German Commercial Code (HGB) and in compliance with the IDW Auditing Standard: Assurance in Accordance with Section 317(3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW PS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibilities under that standard are further described in the „Group auditor's responsibilities for the assurance work on the ESEF documents“ section. Our audit firm 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 Management Board and Supervisory Board for the ESEF documents

The Management Board of the Company is responsible for the preparation of the ESEF documents with the electronic reproductions/renderings of the consolidated financial statements and the Group management report in accordance with Section 328(1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328(1) sentence 4 no. 2 HGB.

Furthermore, the Company‘s Management Board is responsible for the internal controls as it deems 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 Supervisory Board is responsible for overseeing the process relating to the preparation of the ESEF documents as part of the financial reporting process.

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

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

- Identify and assess the risks of material non-compliance with the requirements of Section 328(1) HGB, whether 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 work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version 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 consolidated financial statements and to the audited Group management report.

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

Other disclosures pursuant to Article 10 of the EU Audit Regulation

We were elected as Group auditor at the annual general meeting held on 2 June 2021. We were engaged by the Supervisory Board on 17 December 2021. We have been the Group 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).

„OTHER MATTER" – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited Group management report as well as the assured ESEF documents. The consolidated financial statements and the Group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic reproductions/renderings of the audited consolidated financial statements and the audited Group management report and do not take their place. In particular, the „Report on the assurance on the electronic reproductions/renderings of the consolidated financial statements and the Group management report prepared for publication purposes in accordance with Section 317(3a) HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor resposnible for the engagement

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

Frankfurt am Main, 6 April 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Guido Tamm	ppa. Sonia Nixdorf
German Public Auditor	German Public Auditor

Other Information

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

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

Kirn, 06 April 2022

SIMONA Aktiengesellschaft
The Management Board

Matthias Schönberg Dr. Jochen Hauck Michael Schmitz

Financial Calendar 2022

2022	
20 April	Annual Press Conference
	SIMONA Group Consolidated Financial Statements and Financial Statements of SIMONA AG for FY 2021
	Press Release on the First Quarter of 2022
10 June	Annual General Meeting 2022
03 August	Group Interim Report for the First Half of 2022
26 October	Press Release on the Third Quarter of 2022

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

SIMONA AG
Teichweg 16
55606 Kirn
Germany

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

Follow us on: