SIMONA

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Financial Statements 2021

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# FINANCIAL STATEMENTS OF SIMONA AG FOR THE FINANCIAL YEAR 2021

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).

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## Combined Management Report



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## Financial Statements

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## 1. Fundamental information about the group

### 1.1 The business model

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

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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.

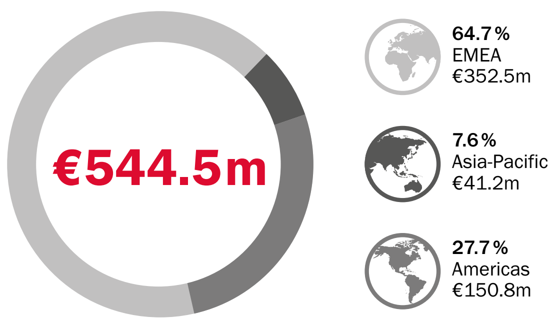
### Americas

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

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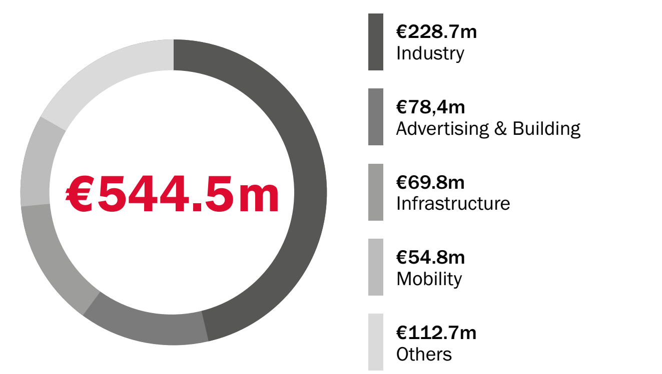
line recorded an increase in revenue to €69.8 million (previous year: €55.3 million; +26.3 per cent). The Mobility business line generated revenue of €54.8 million (previous year: €13.1 million). The remaining revenues from various other fields of application and trade are summarised under „Others“ and amount to €112.7 million (previous year: €147.5 million).

**REVENUE BY BUSINESS LINES**




## Orders

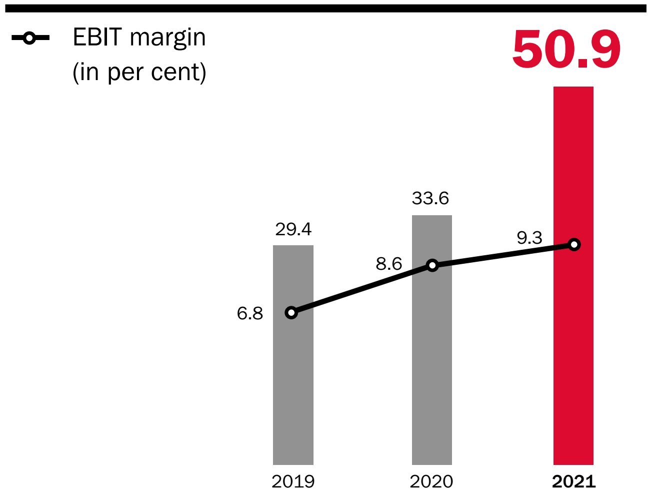
Order backlog within the Group stood at €159.3 million as at 31 December 2021 (previous year: €45.1 million); of this total, a figure of €48.5 million (previous year: €20.9 million) is attributable to SIMONA AG.

## 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).

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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).

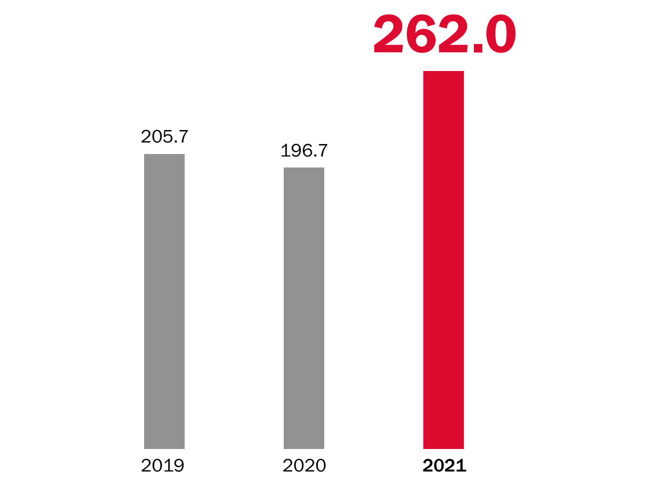
As regards the change in cash and cash equivalents, please refer to the Notes relating to cash flows and cash and cash equivalents.

## 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.

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

# Balance Sheet of SIMONA AG for the Financial Year 2021

| ASSETS (in € '000) | | | 31/12/2021 | 31/12/2020 |
|---|---|---|---|---|
| **A.** | **NON-CURRENT ASSETS** | | | |
| **I.** | **Intangible assets** | Industrial property rights and similar rights and assets as well as licences in such rights and assets | 147 | 322 |
| | | | **147** | **322** |
| **II.** | **Property, plant and equipment** | 1. Land, land rights and buildings | 3,764 | 3,679 |
| | | 2. Technical equipment and machinery | 429 | 496 |
| | | 3. Other equipment, operating and office equipment | 4,099 | 4,258 |
| | | 4. Prepayments and assets under construction | 4,025 | 1,322 |
| | | | **12,317** | **9,755** |
| **III.** | **Financial assets** | 1. Investments in affiliated companies | 131,910 | 111,079 |
| | | 2. Loans to affiliated companies | 35,030 | 29,745 |
| | | 3. Other long-term equity investments | 23 | 23 |
| | | | **166,963** | **140,847** |
| | | | **179,427** | **150,924** |
| **B.** | **CURRENT ASSETS** | | | |
| **I.** | **Inventories** | 1. Raw materials, consumables and supplies | 777 | 484 |
| | | 2. Finished goods and merchandise | 20,610 | 24,178 |
| | | 3. Prepayment for inventories | 29 | 29 |
| | | | **21,416** | **24,691** |
| **II.** | **Receivables and other assets** | 1. Trade receivables | 26,737 | 20,708 |
| | | 2. Receivables from affiliated companies | 31,194 | 25,494 |
| | | 3. Receivables from other long-term investees and investors | 1,760 | 838 |
| | | 4. Other current assets | 6,921 | 2,017 |
| | | | **66,612** | **49,058** |
| **III.** | **Cash in hand and bank balances** | | **24,686** | **52,912** |
| | | | **112,715** | **126,661** |
| **C.** | **PREPAID EXPENSES** | | **606** | **434** |
| | | | **292,747** | **278,019** |

| **EQUITY AND LIABILITIES** (in € '000) | | | **31/12/2021** | **31/12/2020** |
|---|---|---|---|---|
| **A.** | **EQUITY** | | | |
| **I.** | **Subscribed capital** | | 15,500 | 15,500 |
| **II.** | **Capital reserves** | | 15,032 | 15,032 |
| **III.** | **Revenue reserves** | 1. Legal reserves | 397 | 397 |
| | | 2. Statutory reserves | 2,847 | 2,847 |
| | | 3. Other revenue reserves | 162,648 | 150,977 |
| **IV.** | **Unappropriated surplus** | | 16,057 | 11,586 |
| | | | **212,481** | **196,339** |
| **B.** | **PROVISIONS** | | | |
| 1. | Provisions for pensions | | 43,286 | 41,098 |
| 2. | Provisions for taxes | | 461 | 4,796 |
| 3. | Other provisions | | 7,089 | 4,615 |
| | | | **50,836** | **50,509** |
| **C.** | **LIABILITIES** | | | |
| 1. | Liabilities to banks | | 11,430 | 11,855 |
| 2. | Trade payables | | 2,763 | 2,381 |
| 3. | Liabilities to affiliated companies | | 11,058 | 14,064 |
| 4. | Other liabililities | (of which relating to taxes €255 thousand; previous year: €230 thousand) (of which relating to social security €915 thousand; previous year: €861 thousand) | 4,179 | 2,873 |
| | | | **29,430** | **31,171** |
| | | | **292,747** | **278,019** |

# Income Statement of SIMONA AG for the Financial Year 2021

| in TEUR | | | 01.01.–31.12.2021 | 01.01.–31.12.2020 |
|---|---|---|---|---|
| 1. | Revenue | | 345,158 | 271,347 |
| 2. | Reduction in finished goods inventories | | –78 | 0 |
| | | | **345,080** | **271,347** |
| 3. | Other operating income | (of which from currency translation €2,918 thousand; previous year: €771 thousand) | 3,779 | 2,835 |
| 4. | Cost of materials | a) Cost of raw materials, consumables and supplies and of purchased merchandise | –272,057 | –191,501 |
| | | b) Cost of services purchased | –645 | –274 |
| | | | **–272,702** | **–191,775** |
| 5. | Staff costs | a) Wages and salaries | –21,896 | –20,465 |
| | | b) Social security, post-employment and other employee benefit costs (of which in respect of old-age pensions €–1,389 thousand; previous year: €–1,050 thousand) | –5,003 | –4,478 |
| | | | **–26,899** | **–24,943** |
| 6. | Depreciation, amortisation and write-downs of property, plant and equipment as well as intangible assets | | –1,487 | –1,662 |
| 7. | Other operating expenses | (of which from currency translation €–448 thousand; previous year: €–3,288 thousand) | –35,872 | –36,983 |
| 8. | Income from equity investments | (of which from affiliated companies €6,030 thousand; previous year: €4,867 thousand) | 6,730 | 5,567 |
| 9. | Income from financial asset loans | (of which from affiliated companies €547 thousand; previous year: €780 thousand) | 547 | 780 |
| 10. | Reversals of write-downs of financial assets | | 11,551 | 0 |
| 11. | Other interest and similar income | (of which from affiliated companies €160 thousand; previous year: €199 thousand) | 296 | 364 |
| 12. | Expenses from loss transfer | | –1 | –1 |
| 13. | Interest and similar expenses | (of which relating to affiliated companies €–66 thousand; previous year: €–79 thousand) (of which from accumulation €–3,662 thousand; previous year: €–3,502 thousand) | –3,934 | –3,798 |
| 14. | Taxes on income | | –3,683 | –6,446 |
| **15.** | **Result after taxes** | | **23,405** | **15,285** |
| 16. | Other taxes | | –62 | –19 |
| **17.** | **Profit for the year** | | **23,342** | **15,266** |
| 18. | Unappropriated retained earnings brought forward | | 4,386 | 3,953 |
| 19. | Allocation to other revenue reserves | | –11,671 | –7,633 |
| **20.** | **Unappropriated surplus** | | **16,057** | **11,586** |

# Notes to the Financial Statements for the Financial Year 2021

## General information

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

As at the end of the reporting period on 31 December 2021, SIMONA AG was categorised as a large corporation within the meaning of Section 267 of the German Commercial Code (Handelsgesetzbuch – HGB). The financial year shall correspond to the calendar year.

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

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

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

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

## Significant accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

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

The **provisions for pensions** are determined in accordance with actuarial principles by applying the projected unit credit method on the basis of „Richttafeln 2018 G“ (actuarial mortality assumptions) published by Prof. Dr. Klaus Heubeck. With regard to the discount rate, as in the previous year the average market rate for the past ten years (with a remaining term of fifteen years), amounting to 1.87 per cent (previous year: 2.30 per cent), was applied. As in the previous year, expected increases in salaries were accounted for with an interest rate of 2.50 per cent, while the trend in respect of the contribution assessment ceiling for social insurance was accounted for with an interest rate of 2.00 per cent and expected pension increases with 1.87 per cent. Due to its minor significance, no staff turnover, i.e. fluctuation, rate was applied. The difference between the pension provisions recognised by the company and provisions calculated on the basis of an average interest rate for the last seven and ten annual periods is -€3,785 thousand (previous year: -€4,796 thousand).

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

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

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

Other provisions include, among other items, provisions for anniversary benefits. The valuation of the anniversary provisions was carried out in accordance with the provisions of commercial law using the projected unit credit method. The 2018G mortality tables of Heubeck AG serve as the basis for calculation, with a flat interest rate of 1.34 per cent p.a. (previous year: 1.60 per cent p.a.) calculated in accordance with Section 253(2) sentence 2 HGB and the assumption of salary increases as in the previous year of 2.50 per cent p.a.

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

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

### Currency translation

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

## Notes to balance sheet

### Non-current assets

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

### Details of shareholdings

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

As regards the foreign entities, information pertaining to equity and earnings has been taken from the data used in connection with the consolidated IFRS financial statements as at 31 December 2021 (so-called Handelsbilanz II, i.e. single-entity financial statements adjusted/restated for uniform group accounting policies). Entities' foreign-currency equity is translated at the closing rate, while entities' foreign-currency earnings are translated at the average rate of the financial year.

In the period under review, 70 per cent of the interests in MT Plastik AS, Düzce, Turkey, were acquired. The company was subsequently renamed SIMONA PLASTECH Levha Sanayi Anonim Şirketi. Interests in affiliated companies increased in the amount of the acquisition costs and incidental costs totalling EUR 15,495 thousand.

The interests in SIMONA ASIA PACIFIC PTE. LTD., Singapore, were transferred to SIMONA ASIA LIMITED, Hong Kong, China.

Disposals in the amount of €6 thousand resulted from the liquidation of SIMONA-PLASTICS CZ, s.r.o., Prague, Czech Republic.

The impairment loss of €5,341 thousand recognised in the 2016 financial year in respect of the interests in SIMONA ASIA LIMITED was reversed in the 2021 financial year, as the grounds for permanent impairment no longer applied.

### Loans to affiliated companies

This item includes loans to SIMONA America Group Inc. (€9,854 thousand), SIMONA ASIA LIMITED (€17,157 thousand), SIMONA ASIA PACIFIC PTE. LTD (€1,136 thousand) and SIMONA Stadpipe AS (€383 thousand). The impairment loss of €6,210 thousand recognised in respect of loans to SIMONA ASIA LIMITED in the 2016 financial year was reversed in the 2021 financial year, as the grounds for permanent impairment no longer applied. The loan to SIMONA ASIA PACIFIC PTE. LTD (€1,136 thousand) was converted into a long-term loan in 2021 and therefore reclassified from receivables from affiliated companies to loans. In addition, the item includes loans to the subsidiary SIMONA PLASTECH acquired in 2021 in the amount of €6,500 thousand.

### Inventories

Inventories of raw materials, finished goods and merchandise are measured on the basis of the LIFO method. LIFO valuation of finished goods and merchandise is carried out without taking into account write-downs due to long holding periods and diminished usability. Inventories are presented according to appropriate groups, which are then valued at the lower of cost and net realisable value. The difference arising from the application of this method compared with the average cost method, leading to a reduction in inventories, was €18,548 thousand (previous year: €10,165 thousand) with regard to finished goods and merchandise.

### Receivables and other assets

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

The receivables from affiliated companies relate to trade receivables (€27,095 thousand; previous year: €20,724 thousand) and receivables in respect of profit transfers by entities established in the corporate form of partnerships (€4,099 thousand; previous year: €3,749 thousand). The receivables from other long-term investees and investors, amounting to €1,760 thousand (previous year: €838 thousand), are attributable to payments made within the context of post-employment benefits.

Other assets primarily include sales tax receivables amounting to €2,521 thousand as well as income tax assets totalling €3,850 thousand.

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

## Equity

Share capital remains unchanged at €15,500,000 and consists of 6,000,000 (previous year: 600,000) bearer shares after the stock split. Share capital is in the form of no-par-value shares („Stückaktien“).

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

The unappropriated surplus („Bilanzgewinn“, i.e. the distributable profit) includes €4,386 thousand in unappropriated retained earnings brought forward. In the financial year under review, a total of €11,671 thousand was allocated to other revenue reserves as prescribed by the Articles of Association. In addition, please refer to the proposed appropriation of profits.

## Provisions for pensions and similar obligations

The disclosure of the pension provision in the balance sheet in the amount of €43,286 thousand (previous year: €41,098 thousand) is made after offsetting the existing plan assets in the amount of €455 thousand (previous year: €249 thousand). The acquisition cost of the plan assets corresponds to their fair value, as a result of which there is no restriction on distribution.

SIMONA Sozialwerk GmbH operates as a pension fund, governed by German law, for the purpose of funding the indirect pension obligations for SIMONA AG. As at 31 December 2021, the company recorded a deficit of €52,666 (ten-year interest rate) and €58,949 thousand (seven-year interest rate); this deficit does not necessitate mandatory recognition as a liability. Furthermore, the corporate assets of SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH will in future be available exclusively for the pension purposes of SIMONA Sozialwerk GmbH. At the end of the reporting period, the fair value of these assets amounted to €47,317 thousand (previous year: €29,022 thousand), with a pro rata amount of €30,609 thousand for SIMONA AG.

## Other provisions

Other provisions were recognised primarily in respect of personnel-related provisions of €5,113 thousand (previous year: €3,898 thousand) and outstanding invoices in the amount of €1,626 thousand (previous year: €522 thousand).

## Liabilities

Bank borrowings include loans of €6,425 thousand (previous year: €3,425 thousand) with a remaining term of less than one year and loans of €5,005 thousand (previous year: €8,430 thousand) with a remaining term of more than one year. As in the previous year, there were no bank borrowings with a remaining term of more than five years. As in the previous financial year, there were no bank overdrafts due within one year.

Liabilities to affiliated companies relate to trade payables due within one year (€7,359 thousand; previous year: €10,435 thousand).

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

As in the previous year, all liabilities are unsecured.

## Deferred taxes

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

## Contingencies

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

As collateral for third-party liabilities, SIMONA AG issued a Letter of Comfort and a First Demand Guarantee for the purpose of securing commodity deliveries. The liabilities of SIMONA Produktion Kirn GmbH & Co. KG, Kirn, and SIMONA Produktion Ringsheim GmbH & Co. KG, Ringsheim, towards suppliers amounted to €5,538 thousand in total as at 31 December 2021.

As collateral for third-party bank liabilities, SIMONA AG issued a guarantee for the purpose of securing a line of credit. As at 31 December 2021, the bank liabilities of SIMONA PLASTECH LEVHA SAN.A.Ş., Düzce, are valued at a total of €2,495 thousand.

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

SIMONA Sozialwerk GmbH, Kirn, operates as a pension fund, governed by German law, for the purpose of funding the indirect pension obligations for SIMONA AG. This results in contingent liabilities as at the balance sheet date. The reporting company remains directly obligated to the extent that the assets of the pension fund are insufficient to meet the obligations. Subsidiary liability continues to exist in respect of the indirect pension commitments of the subsidiaries SIMONA Produktion Kirn GmbH & Co. KG, Kirn, and SIMONA Produktion Ringsheim GmbH & Co. KG, Ringsheim. At the end of the reporting period, there was a total deficit of €81,415 thousand (10-year interest rate) in indirect pension obligations. Given the current financial resources of SIMONA Sozialwerk GmbH, the risk of a claim arising from these indirect pension obligations is considered to be low.

## Notes to income statement

## Revenue

Revenue by region:

| | 2021 € '000 | % | 2020 € '000 | % |
|---|---|---|---|---|
| Germany | 136,747 | 39.6 % | 109,271 | 40.3 % |
| EMEA (Europe, Middle East, Africa) | 183,639 | 53.2 % | 142,087 | 52.3 % |
| Americas | 6,971 | 2.0 % | 6,252 | 2.3 % |
| Asia-Pacific | 17,801 | 5.2 % | 13,737 | 5.1 % |
| | **345,158** | **100.0 %** | **271,347** | **100.0 %** |

Revenue by business lines:

| | 2021 € '000 | % | 2020 € '000 | % |
|---|---|---|---|---|
| Industry | 129,508 | 37.5 % | 84,991 | 31.3 % |
| Infrastructure | 58,543 | 16.9 % | 46,452 | 17.1 % |
| Mobility | 4,657 | 1.3 % | 3,855 | 1.4 % |
| Advertising & Building | 27,123 | 7.9 % | 21,431 | 7.9 % |
| Intercompany | 76,820 | 22.3 % | 63,727 | 23.5 % |
| Others | 48,507 | 14.1 % | 50,891 | 18.8 % |
| | **345,158** | **100.0 %** | **271,347** | **100.0 %** |

## Other operating income

Other operating income mainly includes income from exchange differences (€2,918 thousand; previous year: €771 thousand), income from the reversal of valuation allowances/write-downs (€300 thousand, previous year: €751 thousand) as well as income unrelated to the accounting period from the reversal of provisions (€138 thousand; previous year: €210 thousand) and asset disposals (€74 thousand; previous year: €44 thousand).

## Other operating expenses

Other operating expenses result primarily from expenses for outgoing freight (€12,075 thousand; previous year: €10,161 thousand), expenses for packaging materials (€4,504 thousand; previous year: €2,978 thousand), commission expenses (€4,336 thousand; previous year: €3,144 thousand), rental expenses (€3,301 thousand; previous year: €3,332 thousand), maintenance expenses (€2,612 thousand; previous year: €2,039 thousand), , legal and consulting fees (€2,552 thousand; previous year: €4,258 thousand), advertising costs (€698 thousand; previous year: €567 thousand) and occupancy costs (€669 thousand; previous year: €598 thousand). Expenses not attributable to the accounting period relate to the derecognition of receivables (€338 thousand; previous. year: €10 thousand).

### Write-ups of financial assets

This item includes the write-up (reversal of impairment losses) of interests in and loans to SIMONA ASIA LIMITED, Hong Kong, in the amount of € 11,551 thousand.

### Expenses from loss transfer

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

### Interest and similar expenses

Within interest and similar expenses, interest expenses relate to the plan assets of pension obligations in the amount of €12 thousand (previous year: €7 thousand) and interest expenses from pension provisions in the amount of €3,662 thousand (previous year: €3,474 thousand) in accordance with Section 246(2) sentence 2 HGB.

### Taxes on income

Income taxes are attributable primarily to the result before taxes in the financial year under review. This item includes tax expenses of €541 thousand (previous year: tax income of €181 thousand) that relate to previous financial years.

## Other disclosures

### Off-balance-sheet transactions

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

Other financial commitments

| | **€ ’000** |
|---|---|
| Commitments from rental and lease agreements | |
| Due 2022 | 1,853 |
| Due after 2022 | 143 |
| | **1,996** |

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

The order commitments are attributable to investment contracts in the amount of €221 thousand.

The estimated outflow of funds resulting from the put/call option agreed with SIMONA Stadpipe AS Standpipe part of the corporate transaction for the acquisition of the interests remaining with the minority shareholder amounts to €11.4 million. This is categorised as other financial obligations towards the minority shareholder of SIMONA Stadpipe AS.

### Related-party transactions

Dr. Roland Reber, member of the Supervisory Board of SIMONA AG, is also the Managing Director of Ensinger GmbH; Nufringen. In the financial year under review, product sales amounting to €2,523 thousand (previous year: €2,031 thousand) were transacted between SIMONA AG and the entities of the Ensinger Group. The two entities maintain business relations with each other on arm‘s length terms.

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

## Governing bodies and compensation

### Management Board

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

- Region America
- Region Asia-Pacific
- Strategic Business Development
- Mergers & Acquisitions
- HR & Legal
- Investor Relations
- Marketing & Communication

Membership in Supervisory Boards or other control committees:
Member of the Supervisory Board of
Volksbank Rhein-Nahe-Hunsrück eG, Bad Kreuznach

**Michael Schmitz,** Sprendlingen,
Bankkaufmann
**Responsible for the areas:**

- Finance
- Controlling
- Taxes
- Purchasing
- IT & Organisation
- Quality Management
- Property/Construction
- Energy Management

**Dr. Jochen Hauck,** Mainz,
Diplom-Ingenieur
**Responsible for the areas:**

- Region EMEA (Europe, Middle East, Africa), South America and India
- Global Process Management
- Research and Development
- Applications Technology/Technical Service Centre
- Global Process Development
- Central Logistics
- Health, Safety and Environment (HSE)

**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 S.r.l. Società UNIPERSONALE, Cologno Monzese (MI), Italy
- SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain
- SIMONA POLSKA Sp. z o.o., Wrocław, Poland
- SIMONA Stadpipe AS, Stadlandet, Norway
- SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Düzce, Turkey

## Supervisory Board

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

**Dr. Ing. Klaus F. Erkes,** Sigmaringen, Diplom-Wirtschaftsingenieur
(Chairman since 2 June 2021)
**Other supervisory board mandates:**
- Member of the Supervisory Board of Semperit AG, Vienna
- Member of the Advisory Board of Karl Mayer Stoll Textilmaschinenfabrik GmbH, Obertshausen
- President of UVS (Unternehmerverband Landkreis Sigmaringen)

**Roland Frobel,** Isernhagen, Tax Consultant
(Deputy Chairman until 2 June 2021)
Partner and Managing Director of Frobel Beteiligungs-GmbH, Isernhagen
Managing Director of Reitstall Steinberg GmbH, Neuenkirchen
Managing Director of FRISS Beteiligungsgesellschaft mbH, Isernhagen
**Other supervisory board mandates:**
- 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 since 2 June 2021)

**Martin Bücher,** Biberach
Bankkaufmann
Chairman of the Executive Board of Kreissparkasse Biberach, Biberach
**Other supervisory board mandates:**
- Member of the Advisory Board of BW Global Versicherungsmakler GmbH
- Deputy Supervisory Board Member of BW Bank
- Member of the Supervisory Board of Öchsle Bahn AG

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

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

## Total compensation of the Management Board

For duties performed in 2021, compensation of the Managment Board amounts to €2,352 thousand, of which the variable compensation components amount to €1,424 thousand.

No further compensation or loans were granted.

In addition, we refer to the compensation report pursuant to Section 162 AktG.

## Total compensation of the Supervisory Board

Compensation of the Supervisory Board is divided into compensation for Supervisory Board duties (€252.5 thousand) and for committee duties of the Supervisory Board members (€61.7 thousand). Compensation of the Supervisory Board in the financial year thus totalled €314.2 thousand.

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

Compensation relating to former members of the Management Board amounted to €473 thousand.

Full allocations have been made to pension provisions for former members of the Management Board. At 31 December 2021, these amounted to €14,266 thousand.

## Employees

Average number of employees in the financial year:

| | 2021 | 2020 |
|---|---|---|
| Industrial staff | 93 | 101 |
| Clerical staff | 240 | 232 |
| **Employees** | 333 | 333 |
| School-leavers (apprentices) | 55 | 53 |
| | **388** | **386** |

## Appropriation of profits

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

| | € '000 |
|---|---|
| Profit for the year | 23,342 |
| Unappropriated retained earnings brought forward | 4,386 |
| Appropriation to other revenue reserves in accordance with the Articles of Association | –11,671 |
| Unappropriated surplus | 16,057 |
| Dividend (€1.70 per share) | –10,200 |
| Carried forward to new account | **5,857** |

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

In accordance with Section 161 AktG, the company filed a Declaration of Conformity for 2021 on 6 April 2021. It has been made permanently available and publicly accessible to shareholders on its corporate website at www.simona.de.

## Ownership interests

Reported shareholdings in the company were as follows:

| | Voting power as at 31 Dec. 2021 in respect of SIMONA AG in % |
|---|---|
| Dr. Wolfgang und Anita Bürkle Stiftung, Kirn | 31.19 |
| Kreissparkasse Biberach, Biberach | 15.04 |
| Dirk Möller, Kirn | 11.64 |
| Rossmann Beteiligungs GmbH, Burgwedel | 11.42 |
| Regine Tegtmeyer, Nebel | 11.25 |
| SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn | 10.00 |

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

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

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

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

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

## Group relationship

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

### Audit fees

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

Non-audit services provided by our auditor totalled €29 thousand in 2021 and relate to tax consultancy services.

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

Kirn, 6 April 2022

SIMONA Aktiengesellschaft

Matthias Schönberg    Dr. Jochen Hauck    Michael Schmitz

> Combined Management Report

> Financial Statements

# Statement of Changes in Fixed Assets of SIMONA AG for the Financial Year 2021

| in TEUR | COST OF PURCHASE/PRODUCTION 01/01/ 2021 € '000 | Currency translation € '000 | Additions € '000 | Disposals € '000 | Reclassifications € '000 | **31/12/ 2021 € '000** |
|---|---|---|---|---|---|---|
| **I. Intangible assets** | | | | | | |
| Industrial property rights and similar rights and assets as well as licences in such rights and assets | 8,240 | 0 | 33 | 1 | 0 | 8,272 |
| | **8,240** | **0** | **33** | **1** | **0** | **8,272** |
| **II. Property, plant and equipment** | | | | | | |
| 1. Land, land rights and buildings | 4,195 | 162 | 33 | | | 4,391 |
| 2. Technical equipment and machinery | 1,414 | 0 | 0 | 0 | 0 | 1,414 |
| 3. Other equipment, operating and office equipment | 15,647 | 31 | 1,034 | 1,004 | 7 | 15,714 |
| 4. Prepayments and assets under construction | 1,322 | 0 | 2,709 | 0 | –7 | 4,025 |
| | **22,578** | **194** | **3,776** | **1,004** | **0** | **25,543** |
| **III. Financial assets** | | | | | | |
| 1. Investments in affiliated companies | 116,420 | 0 | 15,495 | 6 | 0 | 131,910 |
| 2. Loans to affiliated companies* | 35,954 | 0 | 6,500 | 8,561 | 1,136 | 35,029 |
| 3. Other long-term equity investments | 23 | 0 | 0 | 0 | 0 | 23 |
| | **152,397** | **0** | **21,995** | **8,566** | **1,136** | **166,962** |
| | **183,215** | **194** | **25,803** | **9,572** | **1,136** | **200,777** |

*The values carried forward were corrected by €239 thousand.

| ACCUMULATED DEPRECIATION/AMORTISATION/WRITE-DOWNS | | | | | | NET CARRYING AMOUNTS | |
|---|---|---|---|---|---|---|---|
| 01.01. 2021 € '000 | Currency translation € '000 | Additions € '000 | Write-up € '000 | Disposals € '000 | **31/12/ 2021 € '000** | **31/12/ 2021 € '000** | 31/12/ 2020 € '000 |
| | | | | | | | |
| 7,919 | 0 | 206 | 0 | 1 | 8,125 | 147 | 322 |
| **7,919** | **0** | **206** | **0** | **1** | **8,125** | **147** | **322** |
| | | | | | | | |
| 517 | 26 | 84 | 0 | 0 | 627 | 3,764 | 3,679 |
| 918 | 0 | 67 | 0 | 0 | 985 | 429 | 496 |
| 11,389 | 24 | 1,130 | 0 | 929 | 11,615 | 4,099 | 4,258 |
| 0 | 0 | 0 | 0 | 0 | 0 | 4,025 | 1,322 |
| **12,823** | 51 | 1,281 | **0** | **929** | **13,226** | **12,317** | **9,755** |
| | | | | | | | |
| 5,341 | 0 | 0 | 5,341 | 0 | 0 | 131,910 | 111,079 |
| 6,210 | 0 | 0 | 6,210 | 0 | 0 | 35,030 | 29,745 |
| 0 | 0 | 0 | 0 | 0 | 0 | 23 | 23 |
| **11,551** | **0** | **0** | **11,551** | **0** | **0** | **166,963** | **140,847** |
| **32,293** | **51** | **1,487** | **11,551** | **930** | **21,350** | **179,427** | **150,924** |

# Details of Shareholdings of SIMONA AG for the Financial Year 2021

| Company | Ownership interest | Equity | Profit/loss of last financial year |
|---|---|---|---|
| | Prozent | TEUR | TEUR |
| **Directly** | | | |
| SIMONA Beteiligungs-GmbH, Kirn (*) | 100.0 | 1,834 | 0 |
| SIMONA Sozialwerk GmbH, Kirn (**) | 50.0 | 10,633 | 765 |
| "SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn (**)" | 50.0 | 199 | 372 |
| SIMONA Kirn Produktion GmbH & Co. KG, Kirn | 100.0 | 24,958 | 668 |
| SIMONA Kirn Management GmbH, Kirn | 100.0 | 26 | 0 |
| SIMONA Produktion Ringsheim GmbH & Co. KG, Ringsheim | 100.0 | 5,947 | 304 |
| SIMONA Ringsheim Management GmbH, Ringsheim | 100.0 | 25 | 0 |
| SIMONA Immobilien GmbH & Co. KG, Kirn | 100.0 | 17,223 | 3,127 |
| SIMONA Immobilien Management GmbH, Kirn | 100.0 | 27 | 1 |
| SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic | 100.0 | 20,942 | 1,886 |
| SIMONA Stadpipe AS, Stadlandet, Norway | 74.9 | 8,946 | 457 |
| SIMONA Stadpipe Eiendom AS, Stadlandet, Norway | 100.0 | 1,439 | 64 |
| SIMONA POLSKA Sp. z o.o., Wrocław, Poland | 100.0 | 1,843 | 881 |
| DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland | 51.0 | 1,243 | 460 |
| SIMONA PLASTECH Levha Sanayi Anonim Şirketi, Dücze, Turkey | 70.0 | 11,031 | –2,877 |
| OOO SIMONA RUS, Moscow, Russian Federation | 100.0 | 985 | 420 |
| SIMONA AMERICA Group Inc., Archbald, USA | 100.0 | 59,150 | 6,943 |
| SIMONA ASIA LIMITED, Hong Kong, China | 100.0 | 3,970 | 889 |
| SIMONA FAR EAST LIMITED, Hong Kong, China | 100.0 | 105 | –779 |
| SIMONA INDIA PRIVATE LIMITED, Mumbai, India | 99.99 | 256 | 359 |

| Company | Ownership interest | Equity | Profit/loss of last financial year |
|---|---|---|---|
| | Prozent | TEUR | TEUR |
| **Indirectly** | | | |
| SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain | 100.0 | 1,071 | 118 |
| SIMONA S.A.S., Domont, France | 100.0 | 1,254 | 443 |
| SIMONA S.r.l., Vimodrone, Società UNIPERSONALE, Cologno Monzese (MI), Italy | 100.0 | 1,251 | 355 |
| SIMONA UK Ltd., Stafford, United Kingdom | 100.0 | 4,235 | 808 |
| 64 NORTH CONAHAN DRIVE HOLDING, LLC, Hazleton, USA | 100.0 | 2,750 | 0 |
| Power Boulevard Inc., Archbald, USA | 100.0 | 7,764 | –0 |
| SIMONA Boltaron Inc., Newcomerstown, USA | 100.0 | 48,842 | 3,124 |
| DANOH, LLC, Akron, USA | 100.0 | 39 | 0 |
| CARTIERWILSON, LLC, Marietta, USA (***) | 25.0 | 558 | 666 |
| SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China | 100.0 | 12,098 | 2,512 |
| SIMONA INDIA PRIVATE LIMITED, Mumbai, India | 0.01 | 256 | 359 |
| SIMONA PMC, LLC, Findlay, USA | 100.0 | 3,469 | 4,139 |
| Industrial Drive Inc., Findlay, USA | 100.0 | 1 | 0 |
| SIMONA AMERICA Industries LLC., Archbald, USA | 100.0 | 38,679 | 7,440 |
| SIMONA ASIA PACIFIC PTE. LTD., Singapore | 100.0 | –720 | 2 |

* Control and profit transfer agreement with SIMONA AG
** 2021 Preliminary financial data
*** Preliminary financial data

# Reproduction of the Auditor's Report

## INDEPENDENT AUDITOR'S REPORT

To SIMONA Aktiengesellschaft, Kirn

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

### Audit opinions

We have audited the financial statements of SIMONA Aktiengesellschaft, Kirn, which comprise the statement of financial position (balance sheet) as of 31 December 2021 and the statement of profit or loss (income statement) for the financial year from 1 January to 31 December 2021 as well as the notes to the financial statements, including a summary of accounting policies. In addition, we have audited the management report of SIMONA Aktiengesellschaft, which has been combined with the Group management report, for the financial year from 1 January to 31 December 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 financial statements comply, in all material respects, with the provisions of German commercial law and give a true and fair view of the financial position and cash flows of the Company as at 31 December 2021 and its financial performance for the financial year from 1 January to 31 December 2021 in accordance with German principles of proper accounting, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, the management report is consistent with the financial statements, complies with German statutory requirements, and appropriately presents the opportunities and risks of future development. Our audit opinion on the 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 financial statements and the management report.

### Basis for the audit opinions

We conducted our audit of the financial statements and management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter referred to as „EU Audit Regulation") as well as the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer – IDW). Our responsibilities under those requirements and principles are further described in the „Auditor's responsibilities for the audit of the financial statements and management report" section of our report. We are independent of the Company in accordance with the requirements of European Union law as well as German commercial law and the rules of professional conduct, and we have fulfilled our other 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 financial statements and management report.

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

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

In our view, the matters of most significance in our audit were as follows:
1. Measurement of inventories

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

Hereinafter we present the key audit matter:

### 1. Measurement of inventories

1. The company's financial statements show inventories of €21.4 million as at 31 December 2021 (previous year: €24.7 million), representing 7.3% (previous year: 8.9%) of total assets. Inventories are measured at the lower of cost or fair value. The assessment of the recoverability of inventories is influenced by material judgement made by the Management Board, which takes into account the expectations regarding the saleability of the various products within the sales markets of SIMONA Aktiengesellschaft. In this context, write-downs are made taking into account the LIFO (last-in-first-out) consumption method, in particular for an above-average storage period, for reduced realisability or for other reasons that have an influence on a lower fair value. Against this backdrop and due to the quantity and turnover rate of inventories, the complex structure of the various write-down procedures and the associated considerable time required for the audit, this matter was of particular significance within the scope of our audit.

2. As part of our audit, we verified the Company's approach to assessing the recoverability of inventories and assessed its appropriateness. In doing so, we also considered the complex procedures and controls for determining write-downs in respect of length of storage, realisability and other reasons that impact on a lower fair value, in addition to assessing the suitability of the IT-based write-down procedures used by the Company to capture inventory risks. We assessed the write-down rates used in the write-down routines against the background of past experience through analytical comparisons with write-downs carried out in previous years and critically evaluated their appropriateness. We arithmetically verified the computational logic of the applied models on a test basis. On the basis of our audit procedures, we were able to satisfy ourselves that the estimates applied and assumptions made by the Company's 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 in the sections „Material accounting policies" and „Notes to Balance Sheet" in the notes.

### 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 as a component of the management report that have not been audited in respect of content.

The Other Information also includes the statement on corporate governance pursuant to Section 289f HGB and § 315d HGB.

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

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

- is materially inconsistent with the financial statements, with the 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 financial statements and the management report

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

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

Moreover, the Management Board is responsible for preparing the management report, which as a whole provides an appropriate view of the Company's position, and, in all material respects, is consistent with the financial statements, complies with German 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 management report in compliance with the applicable requirements of German commercial law and for providing sufficient appropriate evidence for the assertions in the management report.

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation, as well as in compliance with the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer – IDW), will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and this management report.

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

- Identify and assess the risks of material misstatements of the financial statements and the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the financial statements, and of the arrangements and measures relevant to the audit of the management report, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of accounting estimates and related disclosures made by the Management Board.

- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view of the financial position, cash flows and financial performance of the Company in accordance with German principles of proper accounting.

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

- Perform audit procedures on the prospective information presented by the Management Board in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is 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 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 financial statements and the 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 financial statements and the management report (hereinafter also referred to as „ESEF documents“) contained in the file „Simona_AG_EAuKLB_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 financial statements and the 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 financial statements and the 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 financial statements and the accompanying management report for the financial year from 1 January to 31 December 2021 contained in the preceding „Report on the audit of the financial statements and the 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 financial statements and the 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 „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 financial statements and the management report in accordance with Section 328(1) sentence 4 no. 1 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.

### 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/rendering with content equivalent to the audited financial statements and to the audited management report.

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

We were elected as auditor at the annual general meeting held on 2 June 2021. We were engaged by the Supervisory Board on 17 December 2021. We have been the auditor of SIMONA Aktiengesellschaft, Kirn, without interruption since the 2013 financial year.

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

## „OTHER MATTER“ – USE OF THE AUDITOR‘S REPORT

Our auditor’s report must always be read together with the audited financial statements and the audited management report as well as the assured ESEF documents. The financial statements and the 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 financial statements and the audited management report and do not take their place. In particular, the „Report on the assurance on the electronic reproductions/renderings of the financial statements and the 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 RESPONSIBLE 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 |

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