2020
GrowTogether

Consolidated Financial Statements 2020

Grow Together

Consolidated Financial Statements of SIMONA AG for the 2020 Financial Year

Combined Management Report

Consolidated Financial Statements

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Combined Management Report for the 2020 Financial Year

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

Combined Management Report for the 2020 Financial Year

Grow Together

1. Fundamental information about the group

1.1 The business model

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

Key sales markets

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

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

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

the business segments comprise the product areas

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

Production and sales locations

Sales activities at Group level are conducted by SIMONA AG and subsidiaries in the United Kingdom, Italy, France, Spain, Poland, the Czech Republic, Russia, Hong Kong, China, India, Norway and the United States, both directly and via trading partners. Beyond this, SIMONA AG operates a sales office in Möhlin, Switzerland. It contributes around 3 per cent to Group sales revenue. The parent company, SIMONA AG, has its registered office in 55606 Kirn (Germany). In the period under review, the SIMONA Group operated three manufacturing facilities in Germany and six plants located abroad. Semi-finished products (sheets, rods, welding rods) are manufactured at two plants in Kirn (Rhineland-Palatinate), while pipes, fittings and customised parts are produced at a facility in Ringsheim (Baden-Württemberg). The plant in Litvinov (Czech Republic) produces pipes and sheets, while the site in Jiangmen (China) manufactures sheets. The facility operated by SIMONA AMERICA Industries LLC in Archbald (Pennsylvania, USA) mainly produces sheet products. SIMONA Boltaron Inc. produces thermoplastic sheet products at its plant in Newcomerstown (Ohio, USA), which are primarily used for aircraft interiors and in the building sector. Additionally, SIMONA PMC, LLC manufactures sheet products at its facility in Findlay (Ohio, USA). Made primarily from thermoplastic olefins (TPO) and acrylonitrile butadiene styrene (ABS), they are used in thermoforming applications. SIMONA Stadpipe AS, Stadlandet (Norway), plans, produces and installs piping systems for aquaculture applications.

Management and supervision at SIMONA AG

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

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

1.2 Objectives and strategies

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

SIMONA has introduced strategic initiatives in pursuit of these goals.

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

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

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

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

1.3 Internal control system

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

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

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

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

1.4 Research and development

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

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

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

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

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

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

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

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

2. Business review

2.1 Macroeconomic and sector-specific environment

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

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

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

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

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

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

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

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

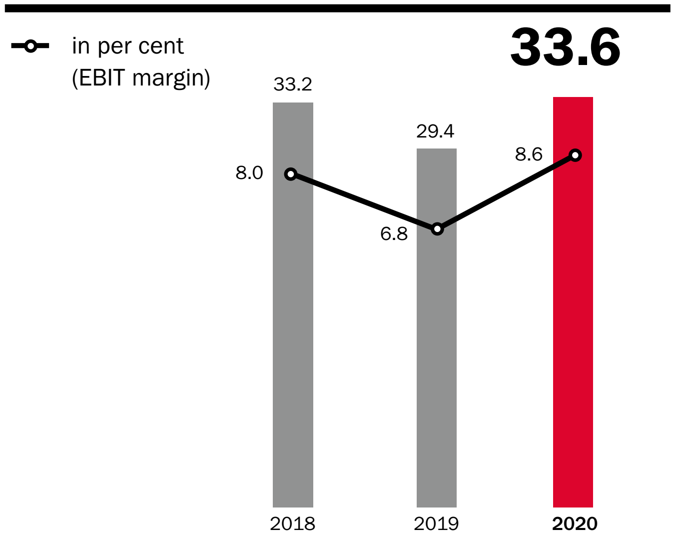
The global market for aircraft interiors was severely impacted by the virtual collapse of international air traffic. Market experts predict a decline in revenue of more than 50 per cent in 2020.

2.2 Course of business – SIMONA Group

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

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

EBIT (in €m)



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

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

Europe

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

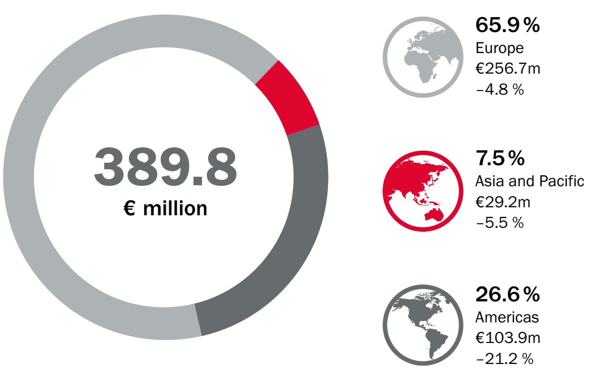
Americas

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

Asia and Pacific

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

REVENUE BY REGION



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

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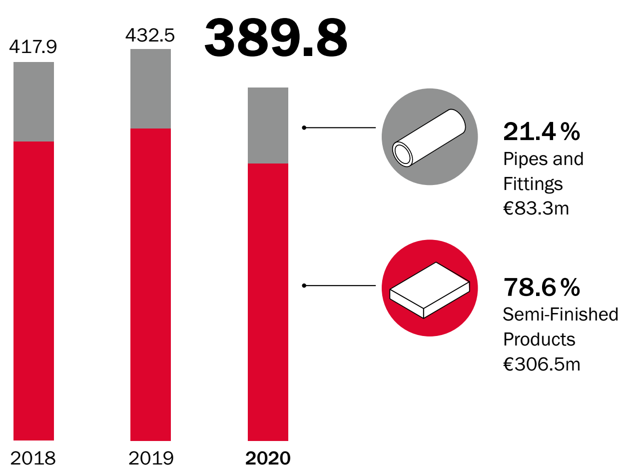
REVENUE BY PRODUCT AREA (in €m)



Sales revenue by product area

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

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

Orders

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

2.3 Financial performance

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

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

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

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

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

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

Staff costs stood at €87.0 million (previous year: €85.7 million), up 1.5 per cent on last year‘s figure. The year-on-year change was mainly attributable to collective wage increases and the addition of new staff as part of the acquisition of SIMONA Stadpipe AS in Norway. The reduction in personnel in the United States due to the COVID-19 pandemic in particular had a counteracting effect.

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

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

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

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

EBIT generated in the Americas segment were down significantly due to the severe slump in the aviation business. The cost of materials amounting to €47.6 million (previous year: €60.7 million) fell mainly in line with the reduction in sales volumes. Staff costs stood at €23.2 million (previous year: €24.8 million). At €19.2 million, other expenses were down by €–4.0 million compared to the previous year, primarily as a result of lower selling expenses.

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

2.4. Financial position

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

Changes to assets

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

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

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

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

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

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

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

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

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

Changes to equity and liabilities

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

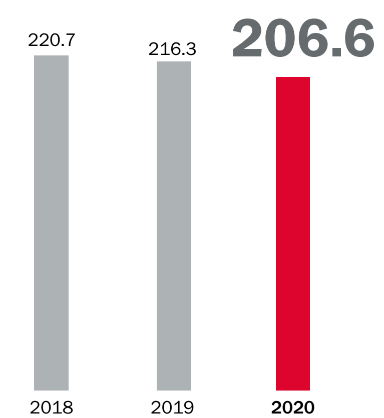
Group equity amounted to €206.6 million at the end of the financial year (previous year: €216.3 million), down €9.7 million on the previous year. This figure includes annual profit of €23.2 million for 2020 and the dividend payment of €6.0 million in the 2020 financial year. Group equity was diluted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

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

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

Current and non-current provisions for pensions were substantially higher at €157.6 million (previous year: €137.9 million). Due to the further reduction in the IFRS interest rate to 0.50 per cent (previous year: 0.91 per cent), pension provisions were up markedly year on year.

EQUITY (in €m)



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

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

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

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

Investments

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

2.5. Financial management and cash flows

Principles and aims of financial management

Safeguarding the financial strength of the SIMONA Group is the primary goal of financial management. In this context, the most important aspect is to meet, to a sufficient degree, the Group‘s financial requirements relating to its operational business and its investing activities. Financial management is centrally organised within the parent company. To a large extent, SIMONA covers the liquidity required worldwide within the Group by means of intragroup funding via loans or similar arrangements. In addition, the Group has firmly agreed lines of credit. Excess cash resources are invested in the money or capital markets, either in euro or a foreign currency, by applying an approach that is optimised in terms of both risk and returns.

Financing analysis

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

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

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

Cash flows

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

Cash and cash equivalents

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

Financial obligations

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

Net finance cost

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

2.6 Course of business – SIMONA AG

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

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

Germany

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

Rest of Europe and Africa

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

Americas

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

Asia and Pacific

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

Sales revenue by product area

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

Earnings performance

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

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

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

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

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

Earnings performance

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

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

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

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

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

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

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

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

Financial position

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

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

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

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

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

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

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

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

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

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

Cash flows

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

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

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

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

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

The KfW loans are subject to fixed interest rates, with quarterly debt repayments scheduled under the terms of the agreement. The funds are used to finance long-term innovation programmes in Germany. The global credit facility is subject to interest on the basis of EONIA (Euro OverNight Index Average) plus a fixed premium calculated on an arm's length basis; these borrowings can be denominated in euros or a foreign currency.

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

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

Investments

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

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

Analysis of liquidity

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

2.8 Non-financial indicators

Customer satisfaction

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

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

Employees

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

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

The number of vocational trainees was again maintained at the high level of 54 in 2020. These youngsters were enrolled in vocational programmes relating to one of twelve technical and commercial training courses offered by SIMONA. As in the previous year, in 2020 nine young people were enrolled in an integrated/dual work-study degree course supported by SIMONA or sponsored training to become a state-certified technician or to receive a Bachelor‘s degree.

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

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

The two divisions Semi-finished Products and Pipes and Fittings were merged and integrated into the business line structure. New processes relating to the supply chain (SCM), the product life cycle (PLM) and customer relationship management (CRM) were developed and employees were trained accordingly within these areas. The other focal points of staff training in 2020 were primarily the development of project management know-how and targeted personal training and coaching in line with annual staff appraisals. Due to the physical distancing measures implemented in response to the pandemic, a large proportion of company training had to take place online. Training with regard to lean operations was initiated for industrial staff in the period under review. Due to the pandemic, however, this programme has not yet been rolled out across the board.

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

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

Quality

The goal of SIMONA‘s quality management system is to maintain and optimise product and process quality on a continual and sustainable basis. In this context, meeting the requirements of DIN EN ISO 9001 and the Pressure Equipment Directive 97/23/EC is an essential prerequisite, and full compliance with these standards was confirmed by independent recertification audits conducted in 2020. SIMONA conducted interdisciplinary quality circle meetings and product audits in the period under review, as well as taking part in various sampling and approval procedures for existing and newly launched projects relating to the automotive supply industry. As was the case in previous years, the Pipes and Fittings business line saw a number of specific product accreditations in response to customer and market requirements. This resulted in several audits as part of which we were able to prove to external auditors the efficacy of the SIMONA management system as well as the exceptionally high quality of our products and processes.

Information technology

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

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

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

3. Report on opportunities and risks

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

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

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

The debate on the environmental impact of plastics, particularly in Europe, may have a negative impact not only on business but also on the recruitment of skilled personnel. The discussion surrounding CO_2 emissions from aircraft could have a detrimental effect on the market for aircraft interiors in the long term.

Against this backdrop of uncertainty from an economic and structural perspective, the use of plastics offers opportunities as a cost-effective alternative to replace heavier materials, for example in mobility applications, thus reducing CO_2 emissions or enabling the treatment of drinking water or the transport of renewable energies over long distances. These areas of application call for highly functional plastics with customised properties. SIMONA‘s strategy is aimed at continuously evolving product characteristics from a technological perspective by leveraging its in-house R&D capabilities, in addition to extending its portfolio of materials.

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

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

In the United States, the subsidiary SIMONA Boltaron boasts a tailor-made product range that meets exacting design standards relating to aircraft interiors. This expertise can also be applied to other fields of application. At the same time, however, the direction taken by the company‘s aviation business is heavily dependent on the further course of the COVID-19 pandemic. SIMONA also sees good potential in the market for thermoforming applications as well as for outdoor furniture made of plastic and the boatbuilding sector. Newly developed products with antibacterial settings also offer opportunities within the increasingly important market centred around infection control. In the medium term, the USA also offers opportunities within the area of pipes and fittings.

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

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

Risk management system

In view of their global business activities, both SIMONA AG and the SIMONA Group are exposed to a wide range of risks. In this context, risk is defined as an event, an action and/or the failure to act with the potential for adverse effects on the company. Risk strategy is an integral part of the corporate strategy of SIMONA and coexists alongside the business strategy. The risk culture of SIMONA is characterised by risk awareness in respect of decision-making processes and embraces the principles of diligent action based on prudence. In identifying opportunities at an early stage and applying diligence with regard to the exposure to corporate or business risks, SIMONA endeavours to safeguard its existence as a going concern and protect its enterprise value. Risk controlling is aimed at avoiding, mitigating or transferring risks. All remaining risks are managed accordingly by SIMONA. Risks are communicated as part of half-yearly risk reports to the Management Board and the Supervisory Board.

The risk management system includes the full range of guidelines and measures required to identify risk and to manage risk associated with commercial operations. The policies, the structural and procedural organisation as well as the processes of the internal control and risk management system operated in respect of financial reporting have been incorporated in guidelines and organisational instructions. They are revised regularly to account for the latest external and internal developments.

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

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

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

SIMONA considers the following individual risks to be material:

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

Macroeconomic and sales market risks

The risks associated with the general business environment and the sector in which the company operates relate mainly to the economic performance of customer segments served by SIMONA. They also include political conflicts and the availability of raw materials. Among the primary sector-specific risks are the substitution of plastics with other materials, new developments within the competitive environment, the loss of key customers and changes to customer requirements. A diversified product portfolio, thorough monitoring of markets and structured procurement management provide the basis for risk mitigation. Benefiting from global production at multiple sites, including plants in the United States, China and the Czech Republic as well as newly acquired companies in Norway and Turkey, SIMONA is able to ensure a high degree of flexibility. At the same time, the Group can meet customer requirements in close proximity to their sites of operation and in a market-driven manner.

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

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

Business strategy risks

In particular, they include the risk of misjudging future market developments and are estimated to result in revenue shortfalls of around EUR 5.0 to 10.0 million. Measures aimed at risk prevention mainly include close monitoring of the market and competitive environment as well as regular strategy meetings with key accounts and between the company's senior management and sales organisation. The probability of adverse effects occurring from exposure to business strategy risks is at present not considered to be material.

Financial risks

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

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

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

The risk of bad debts and insolvencies is markedly higher due to the COVID-19 pandemic. In this context, thorough assessments of credit ratings and continuous monitoring within this area help to mitigate risk as a whole as well as risk associated with individually identifiable items. At €0.7 million, as in the previous year the potential risk roughly corresponds to the value of receivables of SIMONA AG in the Europe segment that are more than 60 days overdue. As regards transactions in Russia, a specific directive for the conclusion of business agreements relating to this country is in place for the purpose of limiting associated risks. Default-related risk associated with specific customers is limited by credit insurance and the cut-off of deliveries in the case of outstanding payments. In addition, there are the risks with regard to voidability of insolvency, which are covered by appropriate insurance. The carrying amounts of inventories are assessed on a regular basis, and adjustments in the form of allowances are made for specific unsaleable products.

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

The risks associated with occupational pension schemes are considered to be significant and the probability of their occurrence is deemed to be high. Risks that are difficult to gauge in the long term, such as future levels of pay and pensions as well as risks relating to higher life expectancy, have been categorised as material. The risks from pension obligations that may result from a change in the aforementioned parameters of +/–0.5 per cent cumulatively amount to approximately €30.0 to 45.0 million. They also include risks or encumbrances that are difficult to predict with regard to liquidity and equity, risks associated with investments and volatility of plan assets as well as fluctuating costs in respect of contributions to the German Pensionssicherungsverein. The volatility of plan assets is estimated at around €3.0 to 10.0 million, which is attributable primarily to the share performance of SIMONA AG stock in recent years. The COVID-19 pandemic led to considerable price fluctuations on the stock markets in the period under review. Plan assets were lower at the end of the year. SIMONA AG shares were down €1.4 million year on year at the end of the reporting period.

Risks attributable to procurement and purchasing

As was the case in previous years, these risks are related primarily to potential disruptions or outages with regard to suppliers of raw materials and additives as well as volatile commodity price trends within the markets for raw materials. The direction taken by input commodities (naphtha, propylene and ethylene) that are of relevance to raw materials used by the company does not necessarily coincide with the price trend for crude oil. The prices of raw materials, especially commodities, fell continuously during the year under review. In this context, market prices in 2020 were driven by the effects of restrained demand and supply due to the COVID-19 pandemic.

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

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

Investment risks

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

Risks attributable to information technology

Ongoing monitoring and optimisation of existing information technology are essential to the safety and reliability of business processes. With this in mind, refinements to measures already implemented within the area of information security are considered particularly important. The primary risks involved relate to the availability, reliability and efficiency of information technology systems, including a failure of the IT infrastructure, loss of data and attacks on IT systems. SIMONA addresses risks relating to information technology through its in-house IT department as well as by commissioning specialised companies and making regular investments in the latest hardware and software. SIMONA responds to growing demands placed on system protection as part of its safety management programme. This mainly includes investments in the latest firewall and antivirus systems as well as other software systems. A significant loss in revenue caused by a temporary system failure is estimated at around €10.0 million. The probability of occurrence of external attacks on IT systems, in particular, has increased further.

At the end of the 2020 financial year, we are of the opinion that the overall risk situation for the Group has deteriorated compared to that of the previous year. In particular, it should be noted that the COVID-19 pandemic may have a significant impact that cannot be reliably predicted at present. At the time of preparing this report, there were no identifiable risks that might jeopardise the existence of the SIMONA Group and SIMONA AG as a going concern.

Internal control system (ICS) relating to financial reporting – Report pursuant to Section 289(4) and Section 315(4) HGB

The internal control system relating to financial reporting, which implements specific controls with regard to the financial reporting process, is aimed at providing reasonable assurance that annual financial statements and consolidated financial statements can be prepared in accordance with statutory requirements despite possible risks.

The ICS encompasses accounting-related processes and controls that are of significance to the preparation of the consolidated financial statements. In this context, the SIMONA Group observes the relevant publications issued by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer – IDW). There were no significant changes to the accounting-related ICS in the period between the end of the reporting period and the preparation of the management report.

Bookkeeping and financial statement preparation are performed primarily at a decentralised level in accordance with local standards. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). In this context, SIMONA applies a uniform system of accounts within the Group and an accounting manual. The parent company assists the respective entities with regard to issues relating to financial reporting and coordinates the process of Group financial reporting at a centralised level. All entities included within the consolidated group have been integrated within this system by means of clearly defined management and reporting structures. The inclusion of subsidiaries is managed with the help of standardised reporting packages and a consolidation system certified in accordance with IDW PS 880. Consolidation is performed as a multi-stage process at the level of subsidiaries, segments and the Group. External management and financial reporting is prepared using a new software module that is directly linked to the consolidation system and was implemented in the 2020 financial year.

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

4. Report on expected developments

Economic conditions

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

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

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

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

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

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

Sector-specific conditions

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

Future performance of the Group

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

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

The Group's ability to achieve its bottom-line performance target will mainly depend on the direction taken by commodity prices, which will in turn have an influence on the gross profit margin. Overall economic performance may be adversely affected by the rapid increase in commodity prices and disruptions to raw material availability. Moreover, profit margin performance will be heavily dependent on whether the increase in prices can actually be implemented throughout the entire value chain. The direct effects of the COVID-19 pandemic on the general economy continue to be mixed. The impact on the industrial sector is becoming increasingly smaller, while the caravan and interiors sectors are seeing more buoyant demand. By contrast, the aviation sector is still suffering from the decline in air traffic and is not expected to return to pre-COVID-19 levels until 2025 at the earliest.

Non-financial indicators

Customer satisfaction

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

Quality

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

Employees

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

Future performance of SIMONA AG

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

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

5. Other information

5.1 Corporate governance statement

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

5.2 Compensation report

Management Board compensation

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

Management Board compensation is performance-based. It is comprised of a fixed level of remuneration as well as a variable component. The fixed component of compensation is paid as a salary on a monthly basis. The variable component of compensation is reviewed annually, while the fixed component is assessed once every two years. In addition, both components are subject to thorough analyses in intervals of two to three years, based on a comparison with compensation figures applicable to executive staff of similar enterprises. The variable component of Management Board compensation is based on earnings performance within the Group and a long-term incentive programme. As regards the performance periods 2019 to 2021, average Group NOPAT (net operating profit after tax) is used as the key performance indicator, calculated on the basis of a three-year performance period. The first performance period encompasses the financial years 2019 to 2021, the second performance period comprises the financial years 2020 to 2022 and the third performance period covers the financial years from 2021 to 2023. Payment occurs subsequent to the adoption of the consolidated financial statements for the final year of the respective performance period. In the financial year under review Management Board compensation included the following components:

COMPOSITION OF MANAGEMENT BOARD COMPENSATION

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

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

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

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

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

Supervisory Board compensation

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

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

In addition to fixed compensation, the General Meeting of Shareholders shall be authorised to pass a resolution on a variable component of compensation, payment of which shall be dependent on whether specific corporate performance indicators have been met or exceeded. At the Annual General Meeting of Shareholders on 5 June 2020 no such resolution for variable compensation components was passed for the 2020 financial year.

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

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

As at the end of the reporting period, the share capital of SIMONA AG remained unchanged at €15,500,000, divided into 600,000 no-par-value bearer shares („Stückaktien“ governed by German law). The shares are traded in the General Standard of the German stock exchange in Frankfurt as well as on the Berlin securities exchange. There are no different categories of share or shares furnished with special rights. Each share is equipped with one vote at the General Meeting of Shareholders. In view of the fact that a shareholder‘s right to a certificate of ownership interests has been precluded under the company‘s Articles of Association, the share capital of our company is represented only in the form of a global certificate, which has been deposited with Clearstream Banking AG, Frankfurt am Main. Therefore, our shareholders will in future only have an interest as co-owners in the collective holdings of the no-par-value shares in our company, as held by Clearstream Banking AG, according to their interest in the company‘s share capital.

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

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

No shareholdings were reported by the members of the Management Board as at 5 June 2020. The members of the Supervisory Board reported holdings of 1,300 shares as at the attendance date of the Annual General Meeting on 5 June 2020, which corresponds to 0.22 per cent of share capital of SIMONA AG.

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

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

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

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

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

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

Brief description of business model

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

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

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

Environmental issues

Sustainability and the management of plastics are the two environmental issues that SIMONA will be pursuing in greater detail over the coming years. The federal government has adopted the Climate Protection Programme 2030. As one of the leading industrial nations, Germany bears a special responsibility for global climate change. The reduction of greenhouse gases is to be achieved in a sustainable and socially balanced manner, taking into account far-reaching measures. The EU Commission is drawing up a plastics strategy and the German Bundestag has passed a packaging law – both are aimed at pushing the sustainable use of plastics. SIMONA is committed to meeting future requirements by means of a certified environmental management system in accordance with DIN EN ISO 14001. This international standard for environmental management systems is designed to give certified companies a framework for protecting the environment and responding to changing circumstances in compliance with socio-economic requirements. The systematic approach promoted by the standard furnishes information that fosters success in the long term and opens up opportunities that contribute to sustainable development.

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

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

SIMONA disposes of waste that cannot be returned to the production cycle in accordance with the provisions of the German Circular Economy Act (Kreislaufwirtschaftsgesetz). Waste is mainly recycled in-house or passed on to external recycling firms. All waste disposal companies used have been certified and are authorised in accordance with the relevant statutory provisions. Staff receive regular training on preventing, recycling and disposing of waste. Reducing waste as a percentage of production volume is one of the company's key objectives.

SIMONA manages risks associated with the environmental footprint of the raw materials it uses by carefully selecting resource suppliers based on the certifications they have obtained (origin, observing blacklists), substituting hazardous substances right from the research and development stage and complying with applicable legislation governing the use of hazardous substances. SIMONA provides its customers with regular updates on the correct ways to use, recycle and dispose of its products and the waste that is generated when these products are processed further. Product characteristics, key data and safe storage and processing instructions are listed in material and safety data sheets for each product, which are available online.

Additionally, durable SIMONA products help to deliver effective solutions in response to market challenges, e.g. with regard to environmental engineering and utilities. SIMONA is an active member of VinylPlus, an organisation that focuses on improving sustainability within the PVC supply chain. In addition, the company is a co-initiator and holder of the PVC quality mark issued by Industrieverband Halbzeuge und Konsumprodukte aus Kunststoff e. V. (pro-K). Those entitled to use the mark have committed themselves to specific quality standards, in addition to delivering the best possible manufacturing expertise and a premium-quality service.

Energy issues

A certified energy management system in accordance with the requirements of ISO 50001:2018 forms part of the company's central policies. This international standard for the energy management system is designed to help certified companies to develop systems and processes to become more energy-efficient. Adopting a systematic approach in order to introduce, implement, maintain and improve an energy management system is intended to enable companies to continuously improve their performance as regards energy management, energy efficiency and energy saving. The standard sets out requirements governing the supply, use and consumption of energy, including measurement, documentation and reporting as well as practical design and procurement rules for facilities, systems, processes and personnel that consume energy.

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

Material risks associated with SIMONA's business activities that could be very likely to have a serious negative impact on energy issues relate to the consumption of resources and the production of emissions. SIMONA manages these risks with measures designed to improve energy efficiency and reduce emissions. The company assesses its energy consumption and efficiency by means of energy performance indicators (ENPIs), which compare consumption data with the relevant production volumes. Key objectives in the field of energy management are increasing energy efficiency and cutting consumption.

Personnel matters

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

For instance, the company has made health and safety at work a priority and has introduced a „Vision Zero“ (referring to the number of occupational accidents) action plan. This is a multi-year concept for the sustainable reduction of occupational accidents, consisting of an extensive range of individual measures. The execution of these measures was also defined as a target in the Balanced Scorecard for the European sites. The collection of data relating to accidents at work in accordance with an internationally harmonised definition has been carried out on an international basis since 2020. All occupational accidents are logged in reports by the health and safety officers appointed by the company before their causes are analysed and preventive action is determined based on this analysis. SIMONA AG has also set up a healthcare team geared towards keeping staff healthy through various campaigns (e.g. free supply of fruit, allowance for gym membership, Health Days). An interdisciplinary task force was established to manage hygiene and infection control activities during the COVID-19 pandemic.

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

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

SIMONA regularly seeks its employees‘ opinions in anonymous staff surveys and uses the results to devise tangible measures to improve staff satisfaction. To a large extent, the SIMONA companies located in Germany have already implemented performance appraisals. As regards the commercial functions at the Kirn site, they are, in part, already organised on the basis of a skills matrix. This set-up allows every employee to be shown the requirements of their position and the extent to which they themselves are meeting these requirements. Training needs are determined based on these annual PDRs. Feedback from training courses attended is evaluated systematically.

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

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

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

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

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

Human rights

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

Combating bribery and corruption

Without exception or restriction, SIMONA undertakes not to give any illegal gratuities to its staff, advisors, commercial representatives, agents or similar third parties or to receive any such gratuities. SIMONA has issued policies for avoiding bribery and corruption in respect of various areas and everyday situations with which its employees could be confronted. Breaches will be punished severely.

Under some circumstances, breaches of the ban and related policies can be serious offences that can cause the company financial damage as well as significant damage to its reputation. They will also give many of our contractual partners grounds to terminate their cooperation. Finally, they can also lead to the company being excluded from bidding for public tenders in Germany and abroad.

Spotting risks early is a key criterion in preventing compliance breaches. The specific compliance risks to which SIMONA is exposed are determined, analysed and updated systematically in an annual process. Appropriate preventive measures are formulated and introduced as and when new risks emerge.

Checks as to whether the subsidiaries are complying with the regulations on preventing bribery and corruption are performed by means of regular site audits, including inspecting accounts and cash holdings.

SIMONA has appointed a Compliance Officer to ensure the effective implementation of its compliance system. SIMONA allows both staff and external third parties to report breaches of the ban on bribery and corruption to the Compliance Officer anonymously.

Rather than following or being based on any national or international standards, the company‘s system for combating bribery and corruption is structured in line with the individual requirements and risk situation within the organisation.

Grow Together

Social matters

As a company, SIMONA bears responsibility for the development and appeal of the cities and communities where it is based and takes social matters into account. It is committed to supporting social, cultural and aid projects at its various sites across the world. The due diligence processes implemented as part of this philosophy lay down responsibilities and workflows for selecting the institutions, projects and initiatives to be supported and how much support each is to receive. At the Kirn site, support is also provided by the Dr. Wolfgang und Anita Bürkle Stiftung, SIMONA AG‘s major shareholder. The foundation focuses on promoting education and healthcare, endangered species and animals in general, art and culture, development aid funding and charitable causes relating to social welfare facilities.

Forward-looking statements and forecasts

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

Responsibility Statement

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

Kirn, 31 March 2021

SIMONA Aktiengesellschaft
The Management Board

Matthias Schönberg   Dr. Jochen Hauck   Michael Schmitz

Grow Together

Grow
Together

Group Income Statement of SIMONA AG

in € '000	Notes	01/01 – 31/12/2020	01/01 – 31/12/2019
Revenue	[7]	389,751	432,494
Other income	[8]	8,800	4,602
Changes in inventories of finished goods and work in progress		–2,601	–2,055
Cost of materials	[9]	186,604	226,534
Staff costs	[10]	86,994	85,705
Amortisation/write-downs of intangible assets and depreciation/write-downs of property, plant and equipment as well as right-of-use assets under leases	[17, 18, 19]	18,259	17,377
Other expenses	[12]	70,516	75,998
Earnings before interest and taxes (EBIT)		**33,574**	**29,428**
Finance income	[13]	1,452	1,023
Finance cost	[13]	4,720	2,721
Result from investments accounted for using the equity method	[20]	172	261
Earnings before taxes (EBT)		**30,478**	**27,991**
Income taxes	[14]	7,321	7,404
Profit for the period		**23,157**	**20,587**
Of which attributable to:			
Owners of the parent company		22,990	20,477
Non-controlling interests		168	110

EARNINGS PER SHARE

in €			
– basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[15]	38.32	34.13
– diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[15]	38.32	34.13

Group Statement of Comprehensive Income of SIMONA AG

in € '000	Notes	01/01 – 31/12/2020	01/01 – 31/12/2019
Profit for the period		**23,157**	**20,587**
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligations	[27, 28]	–15,512	–27,145
Deferred taxes on remeasurement of defined benefit obligations	[14]	4,463	8,013
Items that may be reclassified subsequently to profit or loss			
Exchange differences relating to currency translation	[25, 31]	–10,998	2,382
Deferred taxes from currency translation	[14]	610	–132
Other comprehensive income recognised directly in equity		**–21,437**	**–16,881**
Total comprehensive income		**1,720**	**3,705**
Total comprehensive income attributable to:			
Owners of the parent company		1,553	3,595
Non-controlling interests		168	110

Group Statement of Financial Position of SIMONA AG

ASSETS

in € '000	Notes	31/12/2020	31/12/2019
Intangible assets	[17]	40,409	38,007
Property, plant and equipment	[18]	140,808	138,719
Financial assets	[34]	340	340
Investments accounted for using the equity method	[20]	1,119	1,143
Right-of-use assets under leases	[19]	1,780	2,026
Deferred tax assets	[14]	27,768	19,776
Non-current assets		**212,223**	**200,011**
Inventories	[21]	84,893	89,655
Trade receivables	[22]	56,158	59,702
Other assets	[23]	5,750	5,749
Income tax assets	[23]	2,805	4,607
Other financial assets	[34]	1,298	2,036
Cash and cash equivalents	[24, 31]	85,349	68,399
Current assets		**236,253**	**230,148**
Total assets		**448,476**	**430,159**

EQUITY AND LIABILITIES

in € '000	Notes	31/12/2020	31/12/2019
Equity attributable to owners of the parent company			
Issued capital		15,500	15,500
Capital reserves		15,274	15,274
Revenue reserves		172,401	173,846
Other reserves		818	11,206
		203,993	**215,826**
Non-controlling interests		2,612	464
Equity	[25]	**206,604**	**216,290**
Financial liabilities	[26]	8,430	11,855
Provisions for pensions	[27, 28]	155,814	136,150
Other provisions	[29]	4,061	4,484
Liabilities under leases	[19]	1,051	1,230
Other financial liabilities	[26]	8,659	644
Deferred tax liabilities	[14]	10,872	9,876
Non-current liabilities		**188,887**	**164,239**
Financial liabilities	[26]	3,425	3,425
Provisions for pensions	[27]	1,773	1,788
Other provisions	[29]	1,723	1,091
Trade payables		17,426	18,738
Income tax liabilities		7,035	2,497
Liabilities under leases	[19]	752	812
Other financial liabilities	[26]	1,989	2,412
Other liabilities	[30]	18,862	18,868
Current liabilities		**52,985**	**49,631**
Total equity and liabilities		**448,476**	**430,159**

Group Statement of Cash Flows of SIMONA AG

in € '000	Notes	01/01 – 31/12/2020	01/01 – 31/12/2019
Earnings before taxes (EBT)		30,478	27,991
Income taxes paid		–2,978	–7,823
Finance income and cost (excl. interest expense relating to pensions)	[13]	–72	291
Amortisation/write-downs of intangible assets and depreciation/write-downs of property, plant and equipment and right-of-use assets under leases	[17, 18, 19]	18,259	17,377
Other non-cash expenses and income		2,225	2,341
Result from disposal of non-current assets		438	77
Change in inventories	[21]	2,844	2,342
Change in trade receivables	[22]	4,013	5,068
Change in other assets	[23]	874	–622
Change in pension provisions	[27, 28]	2,012	1,589
Change in liabilities and other provisions	[29, 30]	–1,707	3,017
Net cash from operating activities		**56,386**	**51,648**
Investments in intangible assets and property, plant and equipment	[17, 18]	–20,433	–23,620
Acquisition of subsidiaries and other business units less net cash acquired		–6,466	0
Proceeds from the disposal of non-current assets		119	266
Financial investments and payments relating to the short-term financial management of cash investments	[34]	0	2
Interest received		189	135
Net cash used in investing activities		**–26,592**	**–23,218**
Repayment of financial liabilities	[26]	–3,425	–3,425
Repayment of lease liabilities	[19]	–828	–801
Payment of prior-year dividend	[16]	–6,000	–8,400
Payment of prior-year dividend to non-controlling interests		–53	–40
Interest paid		–252	–249
Net cash used in financing activities		**–10,558**	**–12,915**
Effect of foreign exchange rate changes on liquidity	[31]	–2,286	401
Change in cash and cash equivalents		**16,950**	**15 ,916**
Cash and cash equivalents at 1 January	[24, 31]	68,399	52,483
Cash and cash equivalents at 31 December	[24, 31]	85,349	68,399
Change in cash and cash equivalents		**16,950**	**15,916**

Group Statement of Changes in Equity of SIMONA AG

in € '000	Notes	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY: Issued capital	Capital reserves	Revenue reserves	Other reserves: Currency translation differences	Total	NON-CONTROLLING INTERESTS	TOTAL EQUITY
		[25]	[25]		[25]		[25]	
Balance at 01/01/2019		**15,500**	**15,274**	**180,583**	**8,956**	**220,313**	**390**	**220,703**
Amount recognised directly in equity as part of the Statement of Comprehensive Income		0	0	–19,132	2,250	–16,881	0	–16,881
Profit for the period		0	0	20,477	0	20,477	110	20,587
Total comprehensive income for the period		**0**	**0**	**1,345**	**2,250**	**3,595**	**110**	**3,705**
Dividend payment	[16]	0	0	–8,400	0	–8,400	–40	–8,440
Other changes		0	0	318	0	318	5	323
Balance at 31/12/2019		**15,500**	**15,274**	**173,846**	**11,206**	**215,826**	**464**	**216,290**
Balance at 01/01/2020		**15,500**	**15,274**	**173,846**	**11,206**	**215,826**	**464**	**216,290**
Amount recognised directly in equity as part of the Statement of Comprehensive Income		0	0	–11,049	–10,388	–21,437	0	–21,437
Profit for the period		0	0	22,990	0	22,990	168	23,157
Total comprehensive income for the period		**0**	**0**	**11,941**	**–10,388**	**1,553**	**168**	**1,720**
Dividend payment	[16]	0	0	–6,000	0	–6,000	–54	–6,054
Changes in the scope of consolidation	[35]	0	0	–8,196	0	–8,196	1,930	–6,266
Other changes		0	0	811	0	811	104	915
Balance at 31/12/2020		**15,500**	**15,274**	**172,401**	**818**	**203,993**	**2,612**	**206,604**

Grow
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Notes to Consolidated Financial Statements of SIMONA AG

[1] Company information

SIMONA AG is a stock corporation (Aktiengesellschaft) founded in Germany – registered office at Teichweg 16, 55606 Kirn, Germany. Its shares are traded within the General Standard of the Frankfurt and Berlin stock exchanges. The company has been entered in the Commercial Register at the District Court of Bad Kreuznach (HRB 1390). The consolidated financial statements of SIMONA AG for the financial year ended 31 December 2020 were released by the Management Board on the basis of a resolution of 29 March 2021 for the purpose of forwarding them to the Supervisory Board.

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

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

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

Additionally, the following subsidiaries, are responsible primarily for handling sales and distribution activities:

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

[2] Accounting policies

Basis of preparation

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

Statement of compliance with IFRS

The consolidated financial statements of SIMONA AG and the entities included in the consolidated group for the period ended 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the end of the reporting period, as adopted by the European Union, and the provisions of commercial law to be applied additionally pursuant to Section 315e(1) of the German Commercial Code (Handelsgesetzbuch – HGB).

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

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

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

Principles of consolidation

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

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

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

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

Exemption according to Section 264b HGB

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

[3] New financial reporting standards

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

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) issued the following Standards and Interpretations that have been endorsed by the EU and incorporated into European law and must be applied with regard to the reporting period from 1 January 2020 to 31 December 2020.

IFRS pronouncement	Approval IASB	EU endorsement	EU first-time adoption
Amendments to IFRS 3: Definition of a Business	22/10/2018	22/04/2020	01/01/2020
Amendments to IAS 1 and IAS 8: Definition of Material	31/10/2018	10/12/2019	01/01/2020
Amendments to References to the Conceptual Framework in IFRS	29/03/2018	06/12/2019	01/01/2020
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	26/09/2019	15/01/2020	01/01/2020

IFRS 3: Definition of a Business

The modified IFRS 3 “Business Combinations” may now only be applied to the acquisition of businesses if these are already generating revenue from goods and service transactions. Investment and other income, lower costs and other economic benefits will not be taken into account in future. An interest acquired in a start-up that has not yet generated revenues from goods or services may only be accounted for as a business combination if an organised workforce is taken over. In this respect, effects on the consolidated financial statements arise above all in the accounting for disposal transactions with regard to the assessment of whether or not goodwill is allocated to the disposal units concerned.

Amendments to References to the Conceptual Framework in IFRS

The IASB has issued a revised Conceptual Framework. The Conceptual Framework does not constitute an IFRS Standard and does not invalidate any provisions set out in Standards. For this reason there will be no changes in the short term. However, the revised Conceptual Framework will be used in the future when new Standards and Interpretations are drawn up. For this reason, it is useful to understand the basic concepts it contains and how they may affect future regulations.

IAS 1 and IAS 8: Definition of Material

The amendments clarify the definition of “material” and standardise it within IFRS. They also contain clarifications on obscuring material information by providing immaterial information. No material effect on the preparation of financial statements is expected.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

In accordance with the amendments to IFRS 9, IAS 39 and IFRS 7, an entity shall assume that the benchmark interest rate on which the cash flows of the hedged item, hedging instrument or hedged risk are based is not changed by the IBOR reform. No material effect on the preparation of financial statements is expected.

3.2 Standards and Interpretations not yet applicable in the financial year

The International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRS IC) have issued additional Standards and Interpretations. These standards and interpretations are not being applied in the financial year under review, as adoption by the EU (“endorsement”) remains outstanding at this time for some of them, or because their application is not yet mandatory.

IFRS pronouncement	Approval IASB	EU endorsement	EU first-time adoption
IFRS 17, Insurance Contracts	18/05/2017	25/06/2020	Expected: 01/01/2023

IFRS 17 Insurance Contracts

IFRS 17 establishes accounting principles for insurance contracts. The standard does not cover the aspect of recognition by policyholders. Therefore, this standard does not have an impact on the consolidated financial statements.

[4] Material judgements and estimates

Judgements

When applying the accounting policies, the management made the following judgements with the most significant effect on the amounts recognised in the financial statements. Among other aspects, significant estimates relate to the useful lives of assets.

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

Uncertainties relating to estimates

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

Impairment of goodwill

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

Impairment of non-financial assets

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

Determination of the underlying interest rate for leases

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

Deferred tax assets

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

Provisions

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

Pensions

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

Estimates and judgements relating to the COVID-19 pandemic

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

[5] Summary of significant accounting policies

Currency translation

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

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

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

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

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

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

Business combinations

Business combinations subsequent to 1 January 2010 are accounted for by applying the acquisition method. The cost of a business combination is calculated as the sum of the consideration transferred, measured at the acquisition-date fair value, and any non-controlling interest in the acquiree. In the case of each business combination, the acquirer measures components of non-controlling interests either at fair value or at the proportionate share in the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses and presented as other expenses.

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

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

Intangible assets

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

Amortisation of intangible assets is performed over a useful life of between three and fifteen years.

Property, plant and equipment

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

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

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

Leasing

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

Assets and liabilities arising from a lease are initially measured on a present value basis.

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

Right-of-use assets are measured at cost.

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

Borrowing costs

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

Research and development costs

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

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

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

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

Impairment of assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If such indications are present or an annual impairment test of an asset is required, the Group makes an estimate of the recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. If the recoverable amount of an asset, or of all assets of a cash-generating unit, is less than its carrying amount, the carrying amount of the asset or the cash-generating unit shall be reduced to its recoverable amount. That reduction is an impairment loss.

Impairment of non-financial assets

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

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

Investments and other financial assets

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

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

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

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

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

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

Additionally, financial assets – as was the case in IAS 39 – can be measured at fair value through profit or loss on a voluntary basis (fair value option). In future, however, this option will be restricted to the elimination of an accounting mismatch. Finally, equity instruments can be irrevocably allocated to the FVOCI category upon initial recognition, provided they are not held solely for trading purposes (FVOCI option).

The classification and measurement of financial liabilities remains largely unchanged compared to IAS 39.

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

Impairment of financial assets

The Group determines at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, i.e. the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced through use of an allowance account. The amount of the impairment loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. However, the new carrying amount must not exceed the amortised cost at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

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

As regards available-for-sale financial assets, the Group determines at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. When determining the impairment of debt instruments classified as available for sale, the same criteria are used as those applied to financial assets measured at amortised cost. The amount recognised for impairments, however, is the cumulative loss determined as the difference between the amortised cost and the current fair value less any impairment losses of this instrument recognised in profit or loss on an earlier occasion.

Investments accounted for using the equity method

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

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

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

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

Inventories

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

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

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

Cash and cash equivalents

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

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

Financial liabilities

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

Interest-bearing borrowings

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

Accounting for put and call options from company acquisitions

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

Other provisions

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

Pensions

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

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

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

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

Government grants

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

Revenue recognition

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

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

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

Taxes

a) Current tax assets and current tax liabilities

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

b) Deferred taxes

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

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

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

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

c) Value added tax

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

[6] Segment reporting

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

- Europe
- Americas
- Asia and Pacific

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

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

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

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

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

SEGMENT INFORMATION OF THE SIMONA GROUP

	Europe		Americas		Asia and Pacific		Total	
in € '000	2020	2019	2020	2019	2020	2019	2020	2019
Revenues from external customers	256,675	269,724	103,828	131,913	29,247	30,858	389,751	432,494
Revenues from other segments	8,652	9,141	322	141	0	0	8,974	9,281
Segment revenues	**265,327**	**278,865**	**104,150**	**132,053**	**29,247**	**30,858**	**398,725**	**441,776**
Other income	7,827	4,386	1,039	249	3,286	1,409	12,153	6,044
Cost of materials	128,275	151,787	47,628	60,715	19,662	23,305	195,566	235,808
Staff costs	60,450	57,205	23,189	24,789	3,356	3,710	86,994	85,705
Depreciation, amortisation and write-downs	10,917	10,255	5,609	5,563	1,616	1,558	18,259	17,377
Other expenses	51,257	50,482	19,187	23,155	3,390	3,858	73,834	77,495
Earnings before interest and taxes (EBIT)	22,658	9,787	8,520	19,007	2,782	425	33,960	29,219
Earnings before taxes (EBT)	20,483	9,956	8,217	18,063	2,187	–166	30,887	27,853
Segment capital expenditure	14,172	15,392	5,045	7,374	1,216	853	20,433	23,619
Non-current assets	97,941	85,225	75,683	83,235	9,373	10,292	182,997	178,752

[7] Sales revenue

Sales revenue is attributable mainly to the sale of semi-finished plastics, pipes and fittings as well as the planning, production and installation of piping systems for aquaculture. There are no contractual take-back obligations from product deliveries. Refunds are made promptly in the form of credit notes to the customer in the event of changes in the transaction price, complaints or other reasons. Delivery and service obligations in the Group result mainly from the order backlog at the end of the year in the amount of €45,100 thousand (previous year: €47,180 thousand).

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

Contract balances

Contract assets result from completed contracts that have not yet been invoiced as at the reporting date. The assets are reclassified to trade receivables when the right to consideration becomes unconditional. Contract liabilities arise for advance payments received for which no work has yet been carried out.

The changes in contract assets and liabilities correspond to the natural development of the project portfolio as well as the current project mix.

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

in € '000	31/12/2020	31/12/2019
Trade receivables	56,158	59,702
Contract assets	296	0
Contract liabilities	–148	0

Reconciliation 2020	Reconciliation 2019	Group 2020	Group 2019
0	0	389,751	432,494
–8,974	–9,282	0	0
–8,974	**–9,282**	**389,751**	**432,494**
–3,353	–1,442	8,800	4,602
–8,962	–9,274	186,604	226,534
		86,994	85,705
117		18,259	17,377
–3,317	–1,497	70,516	75,998
–386	209	33,574	29,428
–409	138	30,478	27,991
		20,433	23,619
		182,997	178,752

GERMANY

in € '000	2020	2019
Domestic revenue	89,147	99,955
Non-current assets	76,734	71,844

SEGMENT INFORMATION BY PRODUCT AREA

in € '000	2020	2019
Semi-finished products	306,450	344,141
Pipes and fittings	83,301	88,353
Revenues from external customers	**389,751**	**432,494**

The initial recognition of contract assets and contract liabilities in 2020 results from the subsidiary SIMONA Stadpipe AS, which was acquired in 2020.

[8] Other income

Other income includes the following items:

in € '000	2020	2019
Income from foreign currency translation	1,790	1,236
Reversal of provisions/Deferrals and accruals	3,866	505
Income from disposal of property, plant and equipment	41	42
Income from services and commissions	142	181
Income from rental and lease	28	22
Miscellaneous other income	2,932	2,617
	8,800	**4,602**

The increase in other income is attributable largely to the reversal of provisions for complaints.

[9] Cost of materials

The cost of materials includes the following items:

in € '000	2020	2019
Cost of raw materials, consumables and supplies	184,971	224,392
Cost of purchased services	1,633	2,142
	186,604	**226,534**

[10] Staff costs

Staff costs include the following items:

in € '000	2020	2019
Wages and salaries	67,608	67,288
of which from long-term employee benefits	1,286	1,216
Expenses relating to social security	14,142	13,815
Expenses relating to pensions	5,244	4,602
	86,994	**85,705**

Staff costs include employment termination indemnities totalling €601 thousand (previous year: €235 thousand).

Expenses relating to social security include defined contribution plans governed by German legislation (statutory pension insurance) totalling €4,610 thousand (previous year: €4,486 thousand).

[11] Research and development expenses

Research and development expenses amounted to €4,351 thousand in the period under review (previous year: €4,356 thousand). Expenses are mainly comprised of staff costs, material costs and depreciation of property, plant and equipment. No development costs were capitalised in the financial year under review.

[12] Other expenses

Other expenses comprise the following items:

in € '000	2020	2019
Outward freight	16,474	17,308
Other selling expenses	9,922	13,888
Maintenance expenses	13,174	13,429
Other administrative expenses	12,346	12,125
Expenses for packaging material	7,992	8,951
Other operating costs	3,822	2,486
Rental and lease expenses	694	823
Losses from disposal of assets	479	119
Losses from the derecognition of financial assets and impairment losses	790	837
Expenses from foreign currency translation	1,971	1,135
Other	2,852	4,898
	70,516	**75,998**

The decrease in other expenses is mainly due to lower other selling expenses as a result of the COVID-19 pandemic and lower other expenses.

[13] Net finance income/cost

in € '000	2020	2019
Finance income	**1,452**	**1,023**
of which income from the translation of financing-related monetary balance sheet items	1,263	888
of which interest from loans and receivables	124	117
of which other finance income	64	17
Finance costs	**4,720**	**2,721**
of which expenses from the translation of financing-related monetary balance sheet items	3,175	283
of which interest expenses from termination benefits	1,256	2,011
of which interest expenses from borrowings and financial liabilities	289	427
Net finance cost	**–3,268**	**–1,698**

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

[14] Income taxes

The principal elements of income tax expense are as follows:

GROUP INCOME STATEMENT

in € '000	2020	2019
Current tax		
Current tax expense	8,880	8,144
Adjustments of current tax attributable to previous periods	–343	499
Deferred tax		
Origination and reversal of temporary differences	–1,289	–1,522
Change in loss carryforwards and tax credits recognised	73	283
Income tax expense reported in Group income statement	**7,321**	**7,404**

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

in € '000	2020	2019
Earnings before taxes (EBT)	**30,478**	**27,991**
Income tax expense at German tax rate of 29.48% (prev. year: 29.48%)	8,985	8,252
Adjustments of current tax attributable to previous periods	–343	499
Unrecognised deferred tax assets relating to tax losses	134	148
Recognised deferred tax assets relating to tax losses	–214	0
Tax effect of non-deductible expenses	784	279
Tax rate differences	–1,104	–1,689
Changes to tax rate	–3	–3
Tax-free dividend income	25	26
Other tax-free income	–625	–3
Tax effects of permanent differences	–254	1
Adjustments to carrying amount for loss carryforwards and tax credits	0	–191
Other tax effects not attributable to the period	0	67
Other	–64	18
Income tax expense at effective tax rate of 24.0% (prev. year: 26.5%)	**7,321**	**7,404**
Income tax expense reported in Group income statement	**7,321**	**7,404**

Changes to the tax rates of the consolidated subsidiaries are as follows: The gradual reduction in the corporation tax rate in France to a range from 15 to 33 per cent with effect from 2018 was approved on 27 November 2017. Effective from 2019 to 2022, the corporation tax rate is to be lowered in each case to between 15 and 25 per cent. In the United Kingdom, under the Finance Act 2016 the UK's corporation tax rate will be reduced gradually to 19 per cent (as from 1 April 2017) and 17 per cent (as from 1 April 2020).

Deferred taxes

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

GROUP STATEMENT OF FINANCIAL POSITION

in € '000	31/12/2020	31/12/2019
Deferred tax assets		
Provisions for pensions	32,507	26,489
Other provisions and liabilities	412	890
Lease liabilities IFRS 16	418	278
Inventories	1,332	67
Receivables and other assets	273	208
Loss carryforwards and tax credits	301	374
Property, plant and equipment	868	914
Other items	437	112
	36,548	**29,332**
Deferred tax liabilities		
Goodwill	124	2,064
Other intangible assets	2,382	0
Right-of-use assets IFRS 16	409	411
Property, plant and equipment	11,646	11,478
Inventories	3,893	4,146
Receivables and other assets	159	866
Other provisions and liabilities	22	146
Other items	1,019	321
	19,654	**19,432**
Set-off	–8,782	–9,556
Deferred tax assets	**27,768**	**19,776**
Deferred tax liabilities	**–10,872**	**–9,876**
Net balance sheet position	**16,895**	**9,900**

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

in € '000	2020	2019
Beginning of the period 1 January	**9,900**	**756**
Income tax expense (income)	1,216	1,239
Amount recognised directly in equity (total comprehensive income)	5,800	7,796
Currency translation	539	109
Additions from company acquisitions	–559	0
End of period 31 December	**16,895**	**9,900**

At the end of the reporting period, loss carryforwards amounted to €10,120 thousand (prev. year: €2,344 thousand). Deferred tax assets of €8,196 thousand (prev. year: €1,678 thousand) were recognised for €302 thousand (prev. year: €374 thousand) of the loss carryforwards mentioned above. Beyond this, no other deferred tax assets were recognised, as the losses may not be used for the purpose of set-off with the taxable profit of other Group companies.

Expiry date of tax loss carryforwards:

in € '000	2020	2019
Between 3 and 20 years	9,699	1,176
	9,699	**1,176**

Deferred tax assets of around €60 thousand (previous year: €172 thousand) are expected to be realised in the subsequent financial year.

[15] Earnings per share

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

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

in € '000 or units of 1,000	2020	2019
Profit or loss attributable to ordinary equity holders of the parent company	22,990	20,477
Weighted average number of ordinary shares (without treasury shares) to calculate basic earnings per share	600	600
Weighted average number of ordinary shares (without treasury shares) to calculate diluted earnings per share	600	600
Basic earnings per share (in €)	38.32	34.13
Diluted earnings per share (in €)	38.32	34.13

[16] Paid and proposed dividends

During the financial year a dividend, attributable to the ordinary shares of the parent company, in the amount of €10.00 (previous year: €14.00) per share was declared and distributed. The total payment made in the financial year under review amounted to €6,000 thousand (previous year: €8,400 thousand). A dividend proposal of €12.00 per share will be submitted to the Annual General Meeting of Shareholders. The proposed total dividend was not recognised as a liability at the end of the reporting period. The corresponding payment would total €7,200 thousand (previous year: €6,000 thousand).

Notes to the Group statement of financial position

[17] Intangible assets

31/12/2020

in € '000	Patents and licences	Customer base	Goodwill	Total
Balance at 1 January 2020 (Cost of purchase/ conversion, taking into account accumulated depreciation/amortisation and impairments)	3,579	3,691	30,737	38,007
Additions	95	0	0	95
Additions from business combinations	783	1,547	4,869	7,199
Transfer	8	46	0	53
Disposals	0	0	0	0
Depreciation/ amortisation during the financial year	–681	–1,122	–143	–1,946
Effects of changes in foreign currency exchange rates	–195	–239	–2,565	–2,999

Balance at 31 December 2020 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	**3,589**	**3,923**	**32,897**	**40,409**
Balance at 1 January 2020				
Cost of purchase or conversion	12,187	9,483	31,452	53,122
Accumulated depreciation/amortisation	–8,608	–5,792	–715	–15,115
Carrying amount	**3,579**	**3,691**	**30,737**	**38,007**
Balance at 31 December 2020				
Cost of purchase or conversion	12,635	10,229	33,756	56,620
Accumulated depreciation/amortisation	–9,047	–6,306	–859	–16,212
Carrying amount	**3,589**	**3,923**	**32,897**	**40,409**

Goodwill was as follows:

in € '000	**01/01/ 2020**	**Additions/ disposals**	**Amortisation**	**Change in foreign exchange rate**	**31/12/ 2020**
SIMONA Boltaron Inc., USA	23,789	0	0	–2,010	21,778
SIMONA America Industries LLC / Power Boulevard Inc., USA	2,309	0	0	–174	2,135
SIMONA PMC LLC, USA	4,496	0	0	–380	4,116
SIMONA Stadpipe AS, Norway	0	4,869	0	0	4,869
Other	143	0	–143	0	0
	30,737	**4,869**	**–143**	**–2,565**	**32,897**

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

31/12/2020

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

31/12/2019

	Residual book value in € '000	**Remaining period of amortisation**
SIMONA Boltaron Inc., USA	1,131	1 year
SIMONA AMERICA Industries LLC / Power Boulevard Inc., USA	418	4 years
SIMONA PMC, LLC, USA	2,142	13 years
Total	**3,691**	

Impairment of goodwill

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

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

SIMONA Boltaron Inc.

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

SIMONA PMC, LLC

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

SIMONA AMERICA Industries LLC / Power Boulevard Inc.

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

SIMONA Stadpipe AS

The impairment test of CGU SIMONA Stadpipe AS comprises the entire unit of SIMONA Stadpipe AS. The following parameters were applicable: four-year forecasting period, revenue growth, EBITDA margin and discount rate at end of forecasting period. The discount rate after tax is 7.7 per cent (9.62 per cent before tax) for the planning period and 6.5 per cent for the period beyond. The applicable growth rate subsequent to the end of the forecasting period is 1.2 per cent. A reduction of the EBITDA margin by 0.5 percentage point did not result in an impairment of goodwill.

31/12/2019

in € '000	Patents and licences	Customer base	Goodwill	Total
Balance at 1 January 2019 (Cost of purchase/ conversion, taking into account accumulated depreciation/amortisation and impairments)	4,206	4,690	30,165	39,060
Additions	92	0	0	92
Transfer	5	0	0	5
Disposals	0	0	0	0
Depreciation/amortisation during the financial year	–780	–1,093	0	–1,873
Effects of changes in foreign currency exchange rates	56	94	572	722
Balance at 31 December 2019 (Cost of purchase/ conversion, taking into account accumulated depreciation/amortisation and impairments)	**3,579**	**3,691**	**30,737**	**38,007**
Balance at 1 January 2019				
Cost of purchase or conversion	12,114	9,303	30,881	52,297
Accumulated depreciation/amortisation	–7,908	–4,613	–716	–13,237
Carrying amount	**4,206**	**4,690**	**30,165**	**39,060**
Balance at 31 December 2019				
Cost of purchase or conversion	12,187	9,483	31,452	53,122
Accumulated depreciation/amortisation	–8,608	–5,792	–715	–15,115
Carrying amount	**3,579**	**3,691**	**30,737**	**38,007**

[18] Property, plant and equipment

31/12/2020

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

Prepayments (€5,375 thousand) and assets under construction (€6,210 thousand) relate primarily to investments to expand operations at the sites in Kirn and Ringsheim, Germany, as well as investment projects at the plants in the United States and China.

31/12/2019

in € '000	Land and buildings	Technical equipment, operating and office equipment	Prepayments and assets under construction	Total
Balance at 1 January 2019 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	44,185	74,565	10,318	129,069
Additions	1,045	5,889	16,594	23,528
Transfer	1,043	10,339	–11,387	–5
Disposals	0	–239	–43	–316
Depreciation/amortisation during the financial year	–2,301	–12,373	0	–14,647
Effects of changes in foreign currency exchange rates	446	629	43	1,118
Balance at 31 December 2019 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	**44,418**	**78,810**	**15,491**	**138,719**
Balance at 1 January 2019				
Cost of purchase or conversion	86,211	268,151	10,318	364,680
Accumulated depreciation/amortisation and impairments	–42,026	–193,586	0	–235,612
Carrying amount	**44,185**	**74,565**	**10,318**	**129,069**
Balance at 31 December 2019				
Cost of purchase or conversion	88,827	280,125	15,491	384,443
Accumulated depreciation/amortisation and impairments	–44,409	–201,315	0	–245,724
Carrying amount	**44,418**	**78,810**	**15,491**	**138,719**

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

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

[19] Leases

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

in € '000	31/12/2020	31/12/2019
Land	371	501
Buildings	507	857
Machinery	116	0
Operating and office equipment	52	44
Motor vehicles	630	614
Industrial trucks	103	10
	1.780	**2.026**

in € '000	31/12/2020	31/12/2019
Current lease liabilities	752	812
Non-current lease liabilities	1,051	1,230
	1,803	**2,042**

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

The conclusion of new lease agreements led to additions to right-of-use assets amounting to €475 thousand in the 2020 financial year.

The income statement shows the following amounts related to leases:

Depreciation of right-of-use asset

in € '000	2020	2019
Land	87	96
Buildings	346	349
Machinery	39	0
Operating and office equipment	10	13
Motor vehicles	350	272
Industrial trucks	28	60
Total	**861**	**790**

Expenses from leases

in € '000	31/12/2020	31/12/2019
Interest expense from lease liabilities	37	44
Expense relating to short-term leases	430	560
Expense relating to leases of low-value assets	562	422

In the period under review, cash outflows from leases amounted to €828 thousand.

The Group's leasing activities

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

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

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

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

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

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

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

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

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

[20] Investments accounted for using the equity method

This item includes the entities accounted for as associates. The investment carrying amount in respect of CARTIERWILSON, LLC, which sells products of the US subsidiaries in the United States on a commission/agency basis in its capacity as a sales representative, was €978 thousand (previous year: €977 thousand). The investment carrying amount in respect of Sandusky Technologies LLC, was €141 thousand (previous year: €165 thousand). The company operates in the area of plastics thermoforming. The profit from investments accounted for using the equity method was €172 thousand (previous year: €261 thousand) in total.

Associates	**Ownership interest in %**
CARTIERWILSON, LLC, Marietta, USA	25.0
Sandusky Technologies LLC, Fremont, USA	25.0

[21] Inventories

in € ’000	**31/12/2020**	**31/12/2019**
Raw materials and consumables used	31,500	34,001
Work in progress	730	766
Finished goods and merchandise	52,371	54,687
Prepayment for inventories	293	201
	84,893	**89,655**

The amount relating to inventory impairments recognised in cost of material rose by €407 thousand year on year to €9,584 thousand in the period under review; of this amount, write-downs relating to the net realisable value of finished goods totalled €268 thousand (previous year: €276 thousand).

[22] Trade receivables

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

in € '000	31/12/2020	31/12/2019
Gross carrying amount	**58,638**	**62,012**
Of which past due within the following time ranges		
Not overdue	50,908	52,811
up to 30 days	5,432	4,624
between 31 and 60 days	1,024	2,160
between 61 and 90 days	–144	713
more than 91 days	1,417	1,704

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

in € '000	2020	2019
1 January	2,310	2,450
Exchange differences	126	–17
Increase in impairment in financial year (recognised in profit and loss)	82	–90
Written off as uncollectible	–12	–147
Not used and reversed	–26	–100
31 December	**2,480**	**2,310**
Net carrying amount	**56,158**	**59,702**

EXPECTED LOSS RATES

in per cent	31/12/2020	31/12/2019
Country risks	0.0–13.0	0.0–22.4
Industry risks	1.0–3.5	0.45–3.0

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

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

in € '000	2020	2019
Expenses attributable to the derecognition of trade receivables	138	296
Income attributable to amounts received in connection with derecognised trade receivables	69	23

[23] Other assets and tax assets

in € '000	31/12/2020	31/12/2019
Receivables from value-added tax	845	1,895
Prepayments	269	270
Advance payments for future periods	899	690
Receivables from energy tax	1,191	1,252
Other receivables	2,546	1,643
	5,750	**5,749**

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

Tax assets amount to €2,805 thousand (previous year: €4,607 thousand) and are attributable primarily to the Americas segment.

[24] Cash and cash equivalents

in € '000	31/12/2020	31/12/2019
Bank balances and cash on hand	85,349	68,399
	85,349	**68,399**

Bank balances bear interest on the basis of floating interest rates applicable to deposits payable on demand. No restraints on use are known apart from the local statutory restrictions applicable to the subsidiaries in China. At the end of the reporting period cash attributable to the Chinese entities amounted to €1,090 thousand (previous year: €2,923 thousand).

At the end of the year, the Group had undrawn borrowing facilities of €28,559 thousand (previous year: €18,975 thousand).

[25] Equity

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

Issued capital

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

in € '000	31/12/2020	31/12/2019
Share capital	15,500	15,500
Issued capital	**15,500**	**15,500**

As was the case in the previous financial year, SIMONA AG has no treasury shares.

Capital reserves

in € '000	31/12/2020	31/12/2019
Share premium from the issuance of stock	15,274	15,274
Capital reserves	**15,274**	**15,274**

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

Retained earnings

This item essentially contains retained earnings of previous years, profit for the current period and profit recognised directly in equity. In addition, the legal and statutory reserve as well as the IAS revaluation surplus of the parent company are presented here. The changes in this item are shown in the Group statement of changes in equity.

Other reserves

in € '000	31/12/2020	31/12/2019
Currency translation effects	818	11,206
Other reserves	**818**	**11,206**

Other reserves include currency translation effects attributable to exchange differences occurring upon translation of the financial statements of foreign subsidiaries as well as the foreign exchange effects (accounted for in equity) of translating net investments in foreign subsidiaries. In the year under review, other reserves were reduced in particular by the recognition of a financial liability in the amount of €8.2 million arising from a put option granted as part of the acquisition of the subsidiary SIMONA Stadpipe AS in 2020.

in € '000	31/12/2020	31/12/2019
Exchange differences on translating financial statements of subsidiaries	–9,030	1,843
Exchange differences on translating net investments	–1,968	539
Exchange differences on translating foreign operations	**–10,998**	**2,382**
Deferred taxes from currency translation	610	–132
Exchange differences	**–10,388**	**2,250**

Non-controlling interests

This item relates to non-controlling interests in DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland. The non-controlling interests correspond to the applicable voting rights and amount to 49 per cent. Revenue generated by this entity amounted to €3,277 thousand in the period under review (previous year: €3,077 thousand). The total payment made in the financial year under review amounted to €57 thousand (previous year: €40 thousand). The company's balance sheet total stands at €1,391 thousand and is mainly composed of current assets (€1,377 thousand) and current liabilities (€14 thousand).

In addition, the item includes non-controlling interests in SIMONA Stadpipe AS, Stadlandet, Norway. The non-controlling interests correspond to the applicable voting rights and amount to 25.07 per cent. Revenue generated by this entity amounted to €5,028 thousand in the period under review. No distributions were made in the financial year. The company's balance sheet total stands at €11,203 thousand and is mainly composed of current assets (€3,454 thousand) and current liabilities (€7,749 thousand).

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

[26] Financial liabilities

Financial liabilities are comprised of the following items:

in € '000	Due date	31/12/2020	31/12/2019
Non-current financial liabilities			
Pro-rata bank loan of €26,229 thousand (nominal amount), (principal repayments due after 31/12/2021)	2022–2024	8,430	11,855
		8,430	**11,855**
Current financial liabilities			
Pro-rata bank loan of €26,229 thousand (nominal amount), (principal repayments due up to 31/12/2021) principal repayments due	01/2021–12/2021	3,425	3,425
		3,425	**3,425**

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

Other financial liabilities comprise the following items:

in € '000	Due date	31/12/2020	31/12/2019
Non-current other financial liabilities			
Put/call options from company acquisitions	until 2025	8,196	0
Other	Immediately	463	644
		8,659	**644**
Current other financial liabilities			
Accounts receivable with credit balances	Immediately	1,989	2,412
		1,989	**2,412**

Accounting for put and call options from company acquisitions

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

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

[27] Pensions

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

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

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

The underlying expert opinions were prepared on 10 January 2021.

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

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

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

in € '000	2020	2019
DBO at beginning of reporting period	69,718	60,512
Service cost	1,314	1,418
Interest cost	626	1,131
Remeasurement actuarial gains/losses	4,441	8,284
due to changes in financial assumptions	5,666	11,690
due to changes in the entitlement base	–1,234	–3,406
due to other changes in value	9	0
Benefits paid	–1,824	–1,627
Employer contribution	–257	0
DBO at end of reporting period	**74,018**	**69,718**
of which non-current liability	72,245	67,930
of which current liability	1,773	1,788

The Group anticipates benefit payments of €1,773 thousand (previous year: €1,788 thousand) in connection with defined benefit pension plans for the 2021 financial year.

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

Parameters	31/12/2020	31/12/2019
Discount rate	0.50 %	0.91 %
Salary increase	2.50 %	2.50 %
Pension increases	1.87 %	1.87 %
Mortality (mortality tables published by Prof. Dr. K. Heubeck)	2018 G	2018 G

A change of half a percentage point each in the above-mentioned basic assumptions used for the purpose of determining the DBO as at 31 December 2020 would increase or decrease the DBO as outlined below. This was determined on the basis of the projected unit credit method as well as the parameters mentioned:

	Change in DBO if parameters are changed by half a percentage point as at 31/12/2020 in € '000 (previous year)	
Parameters	**Increase**	**Decrease**
Discount rate	–6,822 (–6,313)	7,917 (7,310)
Salary increase	1,026 (972)	–964 (–914)
Pension increase	5,732 (5,266)	–5,135 (–4,726)

The decline in mortality rates by 10 per cent results in an increase in life expectancy dependent on the individual ages of each participant. The DBO at the end of the reporting period would increase by €3,064 thousand (previous year: €2,738 thousand) following a reduction in the mortality rate by 10 per cent and would decrease by €–2,682 thousand (previous year: €–2,406 thousand) following a 10 per cent increase in the mortality rate.

The weighted average duration of the DBO attributable to defined benefit pension plans is 19.4 years (previous year: 19.2 years).

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

[28] Company welfare institutions

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

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

The agreed plans relating to SIMONA Sozialwerk GmbH are structured as final salary pension plans in the case of both personnel employed on the basis of collective wage agreements and managerial staff. The defined benefit plans are associated in particular with risks in respect of longevity, inflation and salary increases.

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

in € '000	**2020**	**2019**
DBO at beginning of reporting period	110,403	87,428
Service cost	3,669	2,955
Interest cost	997	1,645
Remeasurement actuarial gains/losses	10,232	19,819
due to changes in financial assumptions	11,323	21,883
due to changes in the entitlement base	–1,091	–2,064
Benefits paid	–1,517	–1,444
DBO at end of reporting period	**123,785**	**110,403**
Fair value of plan assets at the beginning of the year	42,183	41,922
Returns on plan assets	377	783
Remeasurement	–829	921
Benefits paid	–1,517	–1,444
Fair value of plan assets at the end of the year	40,213	42,183
Deficit	**–83,572**	**–68,220**

The Group anticipates benefit payments of €1,701 thousand (previous year: €1,598 thousand) in connection with indirect defined benefit pension plans for the 2021 financial year.

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

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

The change in the deficit as at 31 December 2020 is attributable primarily to the remeasurement implemented due to the impairment of plan assets.

A change of half a percentage point each in the above-mentioned basic assumptions used for the purpose of determining the DBO as at 31 December 2020 would increase or decrease the DBO as follows (cf. also Note [27]):

	Change in DBO if parameters are changed by half a percentage point as at 31/12/2020 in € '000 (prev. year)	
Parameters	**Increase**	**Decrease**
Discount rate	–13,612 (–11,913)	16,090 (14,049)
Salary increase	4,971 (4,387)	–4,541 (–4,009)
Pension increase	9,637 (8,368)	–11,323 (–7,567)

The decline in mortality rates by 10 per cent results in an increase in life expectancy dependent on the individual ages of each participant. The DBO at the end of the reporting period would increase by €5,307 thousand (previous year: €4,520 thousand) following a reduction in the mortality rate by 10 per cent and would decrease by €–4,664 thousand (previous year: €–3,989 thousand) following a 10 per cent increase in the mortality rate.

The composition of plan assets is presented below:

FAIR VALUE AT

in € '000	**31/12/2020**	**31/12/2019**
Category of assets		
Shares in SIMONA AG	28,440	29,880
Time deposits	2,814	2,814
Investment funds	8,549	7,362
Cash and cash equivalents	410	2,127
Total plan assets	**40,213**	**42,183**

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

The weighted average duration of the DBO relating to defined benefit pension plans of SIMONA Sozialwerk GmbH is 23.5 years (prev. year: 23.1 years).

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

in € '000	**31/12/2020**	**31/12/2019**
Liability at beginning of reporting period	68,220	45,506
Service cost	3,669	2,955
Gain on plan settlements		
Net interest expense	620	862
Remeasurement actuarial gains/losses	10,232	19,819
due to changes in financial assumptions	11,323	21,883
due to changes in the entitlement base	–1,091	–2,064
Remeasurement from plan assets	829	–921
Liability at end of reporting period	**83,572**	**68,220**

[29] Other provisions

in € '000	Personnel-related obligations	Guarantees/ warranties	Other	Total
Balance at 1 January 2020	**1,290**	**3,526**	**758**	**5,574**
Allocated	162	1,781	181	2,124
Used	58	684	735	1,477
Reversed	0	132	0	132
Exchange differences	0	–56	–64	–120
Effect of time value of money	0	–6	0	–6
Reclassified to other balance sheet items	0	0	–180	–180
Balance at 31 December 2020	**1,394**	**4,430**	**–40**	**5,784**
Current provisions	224	1,538	–40	1,723
Non-current provisions	1,169	2,892	0	4,061
Balance at 31 December 2020	**1,394**	**4,430**	**–40**	**5,784**

in € '000	Personnel-related obligations	Guarantees/ warranties	Other	Total
Balance at 1 January 2019	**1,251**	**3,942**	**282**	**5,475**
Allocated	135	1,137	762	2,034
Used	115	1,570	304	1,989
Reversed	0	0	0	0
Exchange differences	0	17	18	35
Effect of time value of money	19	0	0	19
Balance at 31 December 2019	**1,290**	**3,526**	**758**	**5,574**
Current provisions	206	868	16	1,091
Non-current provisions	1,084	2,658	742	4,484
Balance at 31 December 2019	**1,290**	**3,526**	**758**	**5,574**

Personnel-related provisions encompass obligations in connection with agreements regarding part-time employment of staff approaching retirement and provisions relating to anniversaries. Personnel-related provisions are measured on the basis of actuarial figures.

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

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

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

[30] Other liabilities

Other liabilities comprise the following items:

in € '000	31/12/2020	31/12/2019
Payables to workforce	8,451	9,007
Payables relating to social security	1,536	1,400
Liabilities relating to credit notes and commissions	501	1,287
Tax payables	1,040	717
Liabilities from contracts with customers	148	0
Other	7,186	6,458
	18,862	**18,868**

The item “Other” mainly includes government liquidity assistance in the amount of €4,011 thousand in the Americas segment, which was paid out via banks in the reporting year as part of the Paycheck Protection Program (“PPP”). In addition, the item includes deferrals/accruals for outstanding invoices, complaints and advance payments received.

[31] Statement of cash flows

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

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

in € ’000	**31/12/2020**	**31/12/2019**
Cash and cash equivalents	85,349	68,399
	85,349	**68,399**

The effects of changes to cash and cash equivalents attributable to exchange rates were €–2,286 thousand (prev. year: €401 thousand) at Group level.

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

[32] Related-party disclosures

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

Management Board

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

Supervisory Board

- Dr. Rolf Goessler, Bad Dürkheim, Diplom-Kaufmann
  Chairman of the Supervisory Board
  Member of the Supervisory Board of J. Engelsmann AG, Ludwigshafen
- Roland Frobel, Isernhagen,
  Tax Consultant
  Deputy Chairman of the Supervisory Board
  Member of the Supervisory Board (Deputy Chairman) of Hannover 96 GmbH & Co. KGaA, Hannover
  Member of the Supervisory Board of GBK Beteiligungen AG, Hannover
- Dr. Roland Reber, Stuttgart
  Managing Director of Ensinger GmbH, Nufringen
- Martin Bücher, Biberach
  Chairman of the Executive Board of Kreissparkasse Biberach, Biberach
  Member of the Advisory Board of BW Global Versicherungsmakler GmbH
  Deputy Supervisory Board Member of BW Bank
  Member of the Supervisory Board of Öchsle Bahn AG
- Andy Hohlreiter, Becherbach
  Employee Representative
- Markus Stein, Mittelreidenbach
  Employee Representative

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

- SIMONA POLSKA Sp. z o.o., Wrocław, Poland

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
- POWER BOULEVARD INC., Archbald, USA
- SIMONA Stadpipe AS, Stadlandet, Norway

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

- SIMONA S.r.l. Società UNIPERSONALE, Cologno Monzese (MI), Italy
- SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain
- SIMONA POLSKA Sp. z o.o., Wrocław, Poland
- SIMONA Stadpipe AS, Stadlandet, Norway

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 €3,644 thousand (previous year: €3,792 thousand) were transacted between SIMONA AG and the entities of the Ensinger Group.

Dean Li, CEO of SIMONA Boltaron Inc., is also the owner of Techniform Industries LLC (formerly Sandusky Technologies LLC, Ohio). SIMONA Boltaron Inc. generated revenue from product sales of €228 thousand to Techniform Industries LLC in the year under review.

Beyond this, companies of the SIMONA Group entered into no 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. This also applies to close family members of the aforementioned persons.

Receivables from related parties relate to trade receivables from the Ensinger Group totalling €579 thousand (previous year: €597 thousand).

Payables to related parties consist of compensation to Supervisory Board members of SIMONA AG and amount to €135 thousand in the period under review (previous year: €145 thousand). There are no other outstanding balances or obligations towards related parties.

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

Business relationships exist with associates on a commission/agency basis in respect of the sale of products in the United States; this business totals €2,750 thousand (previous year: €3,447 thousand).

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

Compensation of members of the Management Board and Supervisory Board

MANAGEMENT BOARD COMPENSATION ACCORDING TO IAS 24.17:

in € '000	2020	2019
Short-term benefits		
Fixed salary and fringe benefits	926	1,140
Annual bonus	622	959
	1,548	**2,099**
Other long-term benefits	582	1,146
Total compensation	**2,130**	**3,245**

COMPENSATION DISCLOSURE PURSUANT TO SECTION 314(1) NO. 6 HGB

in € '000	2020	2019
Fixed compensation		
Fixed salary and fringe benefits	926	1,140
Variable compensation		
Annual bonus	622	959
Long-term incentive programme	119	958
Total compensation	**1,667**	**3,057**

The variable component of Management Board compensation is based on earnings performance within the Group and a long-term incentive programme. As regards the performance periods 2019 to 2021, average Group NOPAT (net operating profit after tax) is used as the key performance indicator, calculated on the basis of a three-year performance period. The first performance period encompasses the financial years 2019 to 2021, the second performance period comprises the financial years 2020 to 2022 and the third performance period covers the financial years from 2021 to 2023. Payment occurs subsequent to the adoption of the consolidated financial statements for the final year of the respective performance period. Members of the Management Board do not receive grants in respect of state-managed defined contribution plans, nor do they receive share-based payments or loans.

Post-employment benefits of €18,692 thousand (previous year: €17,393 thousand), after netting of plan assets, have been provisioned for active members of the Management Board, former members of the Management Board and their surviving dependants. Due to a changeover to defined contribution plans for active members of the Management Board, there is no longer an allocation to pension provisions. Full allocations have been made to pension provisions for former members of the Management Board. At the end of the reporting period, these amounted to €18,443 thousand (previous year: €17,393 thousand).

Compensation of former Management Board members and their surviving dependants amounted to €466 thousand (previous year: €304 thousand).

Supervisory Board compensation for the financial year under review amounted to €158 thousand (previous year: €156 thousand). Supervisory Board compensation encompasses no variable components. Alongside their Supervisory Board compensation, staff representatives appointed to the Supervisory Board received remuneration in the form of wages and salaries during the financial year under review, which included retirement benefit obligations in the generally applicable amount in respect of work performed for the company. The company does not grant share-based payments or loans to members of the Supervisory Board.

[33] Financial risk management

Principles and objectives of financial risk management

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

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

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

Currency risks

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

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

IFRS 7 requires entities to present risk on the basis of sensitivity analyses. These analyses show how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at the end of the reporting date.

Exchange rate movements may occur in the case of primary financial instruments that are beyond the hedged parameters or that are hedged by means of financial derivatives in the form of forward foreign exchange transactions or currency options.

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

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

If, as at 31 December 2019, the euro had appreciated (depreciated) by 10 per cent against all other currencies, earnings before taxes would have been €3,623 thousand lower (€4,428 thousand higher). The hypothetical effect on profit of minus €3,623 thousand (plus €4,428 thousand) is attributable to the following sensitivity to exchange rates:

in € '000	Effect on profit before taxes	
EUR/USD	–1,051	(1,284)
EUR/GBP	–60	(74)
EUR/CHF	–365	(447)
EUR/CZK	572	(–699)
EUR/PLN	–101	(124)
EUR/HKD	–836	(1,022)
EUR/CNY	–1,504	(1,838)
EUR/RUB	–88	(107)
EUR/INR	–178	(218)
EUR/SGD	–4	(5)
EUR/JPY	–8	(9)
	–3,623	**(4,428)**

Interest-rate risk

In accordance with IFRS 7, interest-rate risks are addressed in the form of sensitivity analyses. These present the effects of changes in market interest rates on interest income, interest expense and items in the statement of financial position. The company's short-term bank overdrafts are the financial instruments generally exposed to interest-rate risk. They remained undrawn at the end of the reporting period. Therefore, a sensitivity analysis of interest rates was of no relevance.

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

Credit risk

The default risk arises primarily from cash and cash equivalents as well as outstanding customer receivables, which are reported in the consolidated statement of financial position under trade receivables. Customer receivables are monitored on a decentralised basis in each legally independent Group company and reported as part of the monthly financial statements.

Depending on the credit rating of the customer, receivables are subject to the risk of default, which is mitigated primarily with the help of trade credit insurance. On average, around 70 per cent of sales revenue generated by SIMONA AG, having factored in a deductible, is safeguarded by a trade credit insurance policy.

Impairment of financial assets

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

Customer receivables exposed to a probable default risk are regularly monitored and the associated default risk is accounted for by impairment losses. The basis for determining impairment is primarily assumptions about the customer‘s country and industry risk, overdue receivables (more than 90 days) and available information about payment-related difficulties in individual cases. The country or sector risk is determined on the basis of the available S&P country ratings or historical S&P default data for sectors. The maximum potential credit risk is limited to the net carrying amount (less value-added tax) of the financial assets. The default risks mainly relate to impaired customer receivables in the Europe segment amounting to €2,108 thousand (previous year: €2,052 thousand).

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

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

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

Liquidity risk

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

Alongside cash and cash equivalents amounting to €85.3 million (previous year: €68.4 million), the SIMONA Group has undrawn borrowing facilities of €28.6 million (previous year: €19.0 million). The Group‘s objective is to maintain a well-judged balance between ongoing coverage of cash requirements and sustained flexibility through the utilisation of bank overdrafts and loans.

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

ISSUER RATING CASH

in € ’000	**31/12/2020**	**31/12/2019**
A1	3,735	8,213
A2	2,867	4,363
Aa2	10,241	8,285
Aa3	17,654	6,627
Baa3	13,585	22,758
No rating	37,267	18,153
	85,349	**68,399**

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

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

in € '000	Up to 1 year	2–5 years	More than 5 years	Total
Financial liabilities	3,425	11,855	0	15,280
Other financial liabilities	2,412	644	0	3,056
Trade payables	18,738	0	0	18,738
Financial liabilities 31/12/2019	**24,575**	**12,499**	**0**	**37,074**

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

Capital management

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

The Group manages its capital structure primarily on the basis of the equity ratio and makes adjustments in response to changing economic conditions where such action is deemed appropriate. External financing is mainly conducted via short- and long-term bank borrowings and bank loans. Additionally, the return on operating assets is reviewed annually as part of the forecasting process and is an important criterion when it comes to managing the Group's investment budget. Return on capital employed (ROCE) is used as a performance indicator with regard to profitability.

As at 31 December 2020, the equity ratio was 46 per cent (previous year: 50 per cent). The level of debt stood at 105 per cent (previous year: 95 per cent).

34 Financial instruments

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

FINANCIAL INSTRUMENTS

		CARRYING AMOUNT		FAIR VALUE	
in € '000		**31/12/2020**	**31/12/2019**	**31/12/2020**	**31/12/2019**
Non-current financial assets	Financial assets	340	340	340	340
	Investments accounted for using the equity method	1,119	1,143	1,119	1,143
Current financial assets	Trade receivables	56,158	59,702	56,158	59,702
	Other financial assets	1,298	2,036	1,298	2,036
	Cash and cash equivalents	85,349	68,399	85,349	68,399
Non-current financial liabilities and other financial liabilities	Loans	–8,430	–11,855	–8,430	–11,855
	Other financial liabilities	–8,659	–644	–8,659	–644
Current financial liabilities and other financial liabilities	Loans	–3,425	–3,425	–3,425	–3,425
	Trade payables	–17,426	–18,738	–17,426	–18,738
	Other financial liabilities	–1,989	–2,412	–1,989	–2,412
Total by measurement category	AC – Amortised Cost assets	144,264	131,620	144,264	131,620
	AC – Amortised Cost liabilities	–39,929	–37,074	–39,929	–37,074

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

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

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

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

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

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

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

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

Hedging transactions

Cash flow hedging instruments

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

NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

in € ’000	Interest	Fair Value	Currency translation	Impairment loss / Disposal	Total 2020
AC assets	146	0	–1,348	–562	–1,764
AC liabilities	–190	0	49	–25	–166
	–44	**0**	**–1.299**	**–587**	**–1.930**

in € ’000	Interest	Fair Value	Currency translation	Impairment loss / Disposal	Total 2019
AC assets	133	0	38	–575	–404
AC liabilities	–230	0	–59	1	–288
	–97	**0**	**–22**	**–574**	**–693**

[35] Other Information

Subsidiaries

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

OWNERSHIP INTEREST

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

The following entities were fully consolidated for the first time in the 2020 financial year: SIMONA Stadpipe AS, Stadlandet, Norway, and SIMONA Stadpipe Eiendom AS, Stadlandet, Norway. There were no changes to the ownership interests held in subsidiaries in the financial year under review.

Financial assets

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

COMPANY

	Ownership interest	Equity 31/12/2019	Profit/loss 2019
	%	€ '000	€ '000
SIMONA Sozialwerk GmbH, Kirn, Germany	50.0	12,427	235
SIMONA Vermögensverwaltungs-gesellschaft der Belegschaft mbH, Kirn, Germany	50.0	747	759

Owing to its classification as a pension fund, SIMONA Sozialwerk GmbH is not included in the consolidated financial statements, as specified in IAS 19.8.

SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH is not included in the consolidated financial statements because the assets of this entity may be utilised solely for funding purposes in respect of SIMONA Sozialwerk GmbH and thus remain outside SIMONA AG's scope of economic control.

The interests in SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH are accounted for at book value, as the fair value is not reliably determinable. The book values of SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH are €10 thousand and €13 thousand respectively.

Corporate acquisitions

Effective from 1 July 2020, the Group acquired 74.93 per cent of the voting equity interests in Stadpipe AS, a non-listed entity headquartered in Stadlandet, Norway. In 2020, the company was renamed SIMONA Stadpipe AS. SIMONA Stadpipe AS plans, produces and installs piping systems for aquaculture applications. The acquisition was transacted for the purpose of gaining access to project companies and end customers in the fish farming and fishing industry and to sharpen the industry focus in the growth market of aquaculture.

The consideration (purchase price) amounts to a total of NOK 62,134 thousand (translated into €5,767 thousand) and was paid in full in cash. There are no outstanding or contingent purchase price payments. The payment for the acquisition less net cash acquired and plus repaid bank loans amounts to €6,150 thousand.

The following information pertaining to purchase price allocation details the values of the principal groups of identifiable assets and liabilities acquired at the date of purchase: intangible assets €6,997 thousand, property, plant and equipment €696 thousand, inventories €541 thousand, trade receivables from customers €2,783 thousand and other assets €178 thousand, cash and cash equivalents €577 thousand, trade and other payables €4,075 thousand. The gross value of the acquired customer receivables amounts to €2,783 thousand; no impairments or uncollectible receivables were identified on the date of acquisition. Intangible assets were attributable mainly to customer relationships as well as production technology and brands.

The Group applies the full goodwill method and therefore recognises the entire goodwill resulting from the purchase price allocation in the amount of €4,732 thousand. It includes non-separable intangible assets such as expertise relating to personnel as well as anticipated synergy effects from the product portfolio and sales. Goodwill is not tax-deductible in Norway.

The equity share of the non-controlling interests amounts to €1,930 thousand at the time of acquisition.

In the period from 1 July to 31 December 2020, the acquired company generated consolidated revenues of €5,028 thousand and a loss for the period (including the effects of purchase price allocation) of €167 thousand. If the acquired company had been included in the consolidated financial statements since 1 January 2020, Group sales revenue would have been €10,087 thousand and the profit for the period would have been €100 thousand.

The costs associated with the business combination total €153 thousand and are recognised in the income statement under other expenses.

With effect from 6 November 2020, SIMONA AG acquired 100 per cent of the voting equity interests in SIMONA Stadpipe Eiendom AS, Stadlandet, Norway. This is an unlisted company. SIMONA Stadpipe Eiendom AS leases buildings and land to SIMONA Stadpipe AS, Stadlandet, Norway. From a Group perspective, no business operations were acquired in accordance with IFRS 3. Within the scope of an asset acquisition, the assets and liabilities were acquired in accordance with IFRS 3.

The consideration amounts to a total of €1,284 thousand and was paid in full in cash. There are no outstanding or contingent purchase price payments. The payment for the acquisition less net cash acquired amounts to €1,284 thousand. No cash was acquired.

The following information pertaining to purchase price allocation details the values of the principal groups of identifiable assets and liabilities acquired at the date of purchase: property, plant and equipment €1,271 thousand, trade receivables from customers €38 thousand. The gross value of the acquired customer receivables amounts to €38 thousand; no impairments or uncollectible receivables were identified at the date of acquisition.

In the period from 6 November to 31 December 2020, the acquired company generated other income of €23 thousand and a loss for the period (including the effects of purchase price allocation) of €–2 thousand. If the acquired company had been included in the consolidated financial statements since 1 January 2020, other income within the Group would have been €61 thousand and profit for the period would have been €18 thousand.

The costs associated with the business combination total €21 thousand and have been added to the interests pursuant to IFRS 3.

Average number of staff employed during the financial year

GROUP

	2020	2019
Industrial staff	870	852
Clerical staff	526	518
Employees	**1,396**	**1,370**
School-leavers (apprentices)	60	60
Total number of employees	**1,456**	**1,430**

Contingent liabilities

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

ORDER COMMITMENTS

in € '000	31/12/2020	31/12/2019
Investment projects	7,924	9,417
Raw material orders	17,243	13,188
	25,167	**22,605**

The share of intangible assets in total commitments is negligible.

Declaration of Conformity regarding the German Corporate Governance Code

In accordance with Section 161 AktG, the company filed a Declaration of Conformity for 2020 on 3 April 2020. It has been made permanently available to shareholders on its corporate website at www.simona.de.

Disclosures under Section 313(2) HGB

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

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

Disclosures relating to the COVID-19 pandemic

Group companies benefited from funding measures or government assistance within the following segments:

Asia and Pacific: €184 thousand. This includes grants for payments to pension, unemployment, accident and health insurance schemes as well as grants towards energy and wage costs. These grants were recognised as other income. No repayment is envisaged.

Americas: €4,011 thousand. These are grants for wage payments, rental costs, mortgage interest or other operating equipment. The grants do not have to be paid back if, among other factors, the headcount is not scaled back and the grant is used for at least 60 per cent of wage payments. As it was not yet foreseeable at the reporting date whether the US government was likely to waive the repayment at the reporting date, the grants were reported as loans.

The application for loan forgiveness was submitted for SIMONA Boltaron Inc. in February 2021 and has since been confirmed by the executing bank. The applications for SIMONA AMERICA Industries LLC, SIMONA AMERICA Group Inc. and SIMONA PMC, LLC have not yet been submitted.

Revenue expectations take into account the Group's growth strategy centred around a sharpened focus on the market together with the prospect of economic recovery following the more widespread roll-out of COVID-19 vaccination programmes and the subsequent lifting of restrictions.

The development of earnings will mainly depend on the direction taken by commodity prices, which will in turn have an influence on the gross profit margin. The direct effects of the COVID-19 pandemic on the general economy continue to be mixed. The impact on the industrial sector is becoming increasingly smaller, while the caravan and interiors sectors are seeing more buoyant demand. By contrast, the aviation sector is still suffering from the decline in air traffic and is not expected to return to pre-coronavirus levels until 2025 at the earliest.

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

Members of the Management Board did not report any shareholdings in SIMONA AG as at 5 June 2020 (date of the Annual General Meeting).

As at 5 June 2020 (date of the Annual General Meeting of Shareholders) the members of the Supervisory Board reported a total holding of 1,300 shares; this corresponds to approx. 0.22 per cent of the share capital of SIMONA AG.

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

Audit fees

The total fees invoiced by the independent auditor of SIMONA AG and subsidiaries were €484 thousand. These fees were attributable to the following items: year-end audit services €313 thousand, tax consulting €91 thousand and other confirmation services €80 thousand. Tax consultancy services provided by our independent auditor encompass the preparation of tax returns and the tax treatment of specific circumstances. The other assurance services relate to reviews in connection with the acquisitions and ESEF reporting.

Events after the reporting period

Effective from 1 February 2021, SIMONA AG, Kirn, acquired 70.00 per cent of the voting equity interests in MT Plastik AS, a non-listed entity headquartered in Dücze, Turkey. The acquisition was made for the purpose of expanding market share in the PVC foam sheet sector. MT Plastik AS has total annual revenue of approximately €18 million.

SIMONA Boltaron Inc. received public grants of US$1.8 million in 2020 towards wage payments, rental costs, mortgage interest or other operating equipment. The grants do not have to be paid back if, among other factors, the headcount is not scaled back and the grant is used for at least 60 per cent of wage payments. As it was not yet foreseeable at the reporting date whether the US government was likely to waive the repayment at the reporting date, the grants were reported as loans.

The application for loan forgiveness was submitted for SIMONA Boltaron Inc. in February 2021 and has since been confirmed by the executing bank; however, final confirmation by the US government is still pending.

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

Responsibility Statement

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

Kirn, 31 March 2021

SIMONA Aktiengesellschaft
The Management Board

Matthias Schönberg   Dr. Jochen Hauck   Michael Schmitz

Reproduction of the Auditor's Report

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

INDEPENDENT AUDITOR'S REPORT

To SIMONA Aktiengesellschaft, Kirn

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

Opinions

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

In our opinion, based on our audit findings,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to Section 315e(1) HGB and give a true and fair view of the net assets and financial position of the Group as at 31 December 2020 and of its results of operations for the financial year from 1 January to 31 December 2020, in accordance with these requirements, and

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

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

Basis for opinion

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

Key audit matters in the audit of the consolidated financial statements

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

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

1. Recoverability of goodwill
2. Measurement of inventories

Our presentation of these key audit matters has been structured in each case as follows:

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

Hereinafter we present the key audit matters:

1. Recoverability of goodwill

1. Goodwill totalling €32.9 million (representing 7.3% of total assets and 15.9% of equity) is reported under the "Intangible assets" item in the Company's consolidated statement of financial position. Goodwill is tested for impairment by the Company once a year, and when there are indications of impairment, to determine any possible need for write-downs. Impairment testing is carried out at the level of the groups of cash-generating units to which the relevant goodwill has been allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally calculated on the basis of the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. The present values are calculated using discounted cash flow models. For this purpose, the Group's one-year financial plan prepared by the Legal Representatives and adopted by the Supervisory Board forms the starting point for future projections; it is supplemented by detailed forecasts for a further three planning years based on assumptions about long-term rates of growth. They also take into consideration expectations regarding future market development and assumptions relating to the macroeconomic influences. The discount rate used is the weighted average cost of capital for the relevant group of cash-generating units. The impairment test determined that no write-downs were necessary. The outcome of this assessment is dependent to a large extent on the estimates made by the Legal Representatives with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2. As part of our audit, we reviewed the methodology employed for the purposes of performing the impairment test, among other things. After cross-checking the future cash inflows used for the calculation with the Group's approved one-year plan and the forecasts for the second to fourth planning year, we assessed the appropriateness of the calculation, in particular by comparing it with general and sector-specific market expectations. We discussed supplementary adjustments to the planning projections for the purposes of the impairment test with the members of the Company's staff responsible, and reviewed these. We also assessed whether the basis for including the

costs of Group functions was accurate. In the knowledge that even relatively small changes in the discount rate can have a material impact on the value of the entity calculated by applying this method, we also focused our testing on the parameters used to determine the discount rate applied and evaluated the Company's calculation procedures. We reproduced the sensitivity analyses performed by the Company in order to reflect the uncertainty inherent in the projections. Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by the discounted future net cash inflows. We verified that the necessary disclosures were made in the notes. Overall, the measurement inputs and assumptions used by the Legal Representative are in line with our expectations and are also within the ranges considered by us to be reasonable.

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

2. Measurement of inventories

1. The company's consolidated financial statements show inventories of €84.9 million as at 31 December 2020, representing 18.9% of total assets. Inventories are measured at the lower of cost or net realisable value. The assessment of the recoverability of inventories is influenced by significant judgement made by the legal representatives, which take into account the expectations regarding the saleability of the various products within the respective sales markets of the SIMONA Group. Write-downs are made in particular for an above-average storage period, for reduced realisability or for other reasons that have an influence on a lower net realisable value, which can also be attributed to potentially higher risk due to the ongoing effects of the coronavirus crisis worldwide as at the reporting date. Against this backdrop and due to the quantity and turnover rate of inventories, which, moreover, are stored at various locations and in various markets of the SIMONA Group, and the complex structure of the various write-down procedures to be applied uniformly throughout the Group and the associated considerable time required for the audit, this matter was of particular significance within the scope of our audit.

2. As part of our audit, we verified the Group's approach to assessing the recoverability of inventories and assessed its appropriateness. In doing so, we also considered the complex procedures and controls for determining write-downs in respect of length of storage, realisability and other reasons that impact on a lower net realisable value, in addition to assessing the suitability of the IT-based write-down procedures used by the Group to capture inventory risks. We assessed the write-down rates used in the write-down routines against the background of past experience through analytical comparisons with write-downs carried out in previous years and critically evaluated their appropriateness on the basis of new findings relating to the effects of the coronavirus crisis. We arithmetically verified the computational logic of the applied models on a test basis. In addition, we ensured the consistent assessment of the Group-wide uniform approach to the measurement of inventories by issuing corresponding instructions to the local auditors of significant foreign Group companies. On the basis of our audit procedures, we were able to satisfy ourselves that the estimates applied and assumptions made by the Company's Legal Representatives in respect of the recoverability of inventories are substantiated and sufficiently documented.

3. The Company's disclosures on inventories are included in the sections "4 Material judgements and estimates" and "5 Summary of significant accounting policies" in the notes to the consolidated financial statements.

Other Information

The Company's Legal Representatives are responsible for the Other Information. The Other Information comprises the following non-audited parts of the Group management report that we obtained prior to the date of our auditor's report:

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

The annual report is expected to be made available to us after the date of the auditor's report.

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

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

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

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

The Legal Representatives are responsible for the preparation of the consolidated financial statements which, in all material respects, comply with IFRS, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. Furthermore, the Legal Representatives are responsible for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Perform audit procedures on the prospective information presented by the Legal Representatives in the Group management report. Based on sufficient and appropriate audit evidence, we hereby in particular trace the significant assumptions used by the Legal Representatives as a basis for the prospective information and assess the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information as well as the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly from the prospective information.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Assurance conclusion

Pursuant to Section 317(3b) HGB, we have performed a reasonable assurance engagement to determine whether the reproductions of the consolidated financial statements and the Group management report (hereinafter also referred to as "ESEF documents") contained in the attached file "simona 187903.zip" and prepared for publication purposes comply in all material respects with the requirements of Section 328(1) HGB on the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only covers the conversion of the information in the consolidated financial statements and the Group management report into the ESEF format and therefore relates neither to the information contained in these reproductions nor to any other information contained in the above-mentioned file.

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

Basis for opinion

We conducted our assurance work on the reproductions of the consolidated financial statements and the Group management report contained in the above-mentioned attached file in accordance with Section 317(3b) of the German Commercial Code (HGB) and in compliance with the draft IDW Auditing Standard: Assurance in Accordance with Section 317(3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW EPS 410) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibilities under that standard are further described in the “Group auditor’s responsibilities for the assurance work on the ESEF documents” section. Our audit firm applied the standards for the quality assurance system set forth in IDW Quality Control Standard: “Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis” [Requirements for Quality Control in the Practice of Public Auditors] (IDW QS 1).

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

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

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

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

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

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

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

- Identify and assess the risks of material non-compliance with the requirements of Section 328(1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal controls relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version valid as at the reporting date, on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited Group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Other disclosures pursuant to Article 10 of the EU Audit Regulation

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

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

German public auditor responsible for the engagement

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

Frankfurt am Main, 31 March 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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

Grow Together

Other Information

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

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

Kirn, 31 March 2021

SIMONA Aktiengesellschaft
The Management Board

Matthias Schönberg   Dr. Jochen Hauck   Michael Schmitz

Financial Calendar 2021

2021	
21 April	Annual Press Conference
	SIMONA Group Consolidated Financial Statements and Financial Statements of SIMONA AG for FY 2020
	Press Release on the First Quarter of 2021
02 June	Virtual Annual General Meeting 2021
04 August	Group Interim Report for the First Half of 2021
27 October	Press Release on the Third Quarter of 2021

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

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