SIMONA

Annual Report 2019

FOCUS ON

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SIMONA's success is built on three key strengths: excellent process engineering in the field of extrusion and injection moulding, the technical capability to further refine plastics and people with the skill and desire to meet all customer requirements.

The new Management Board and Global Management Team have taken up the task of building on these strengths and adding to the company's capabilities. We aim to become the company with the highest degree of end-consumer orientation in all areas of application relating to our thermoplastic solutions.

SIMONA stands for precision, reliability and trust. In future we also want to be synonymous with application orientation, flexibility and process agility.

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SIMONA Key Financials – At a glance

SIMONA GROUP

		2019	2018	2017
Revenue	€m	432.5	417.9	394.1
Year-on-year change	%	3.5	6.0	7.5
Staff costs	€m	85.7	78.8	74.8
Earnings before taxes (EBT)	€m	28.0	32.3	24.6
Profit for the period	€m	20.6	24.3	17.5
Net cash from operating activities	€m	51.6	34.8	19.2
EBIT	€m	29.4	33.2	31.1
EBIT	%	6.8	8.0	7.9
EBITDA	€m	46.8	48.4	45.5
EBITDA	%	10.8	11.6	11.6
Total assets	€m	430.2	400.9	363.4
Equity	€m	216.3	220.7	202.3
Property, plant and equipment	€m	138.7	129.1	114.4
Investments in property, plant and equipment	€m	23.5	16.9	15.3
Employees (annual average)		1,430	1,387	1,285

on IFRS basis

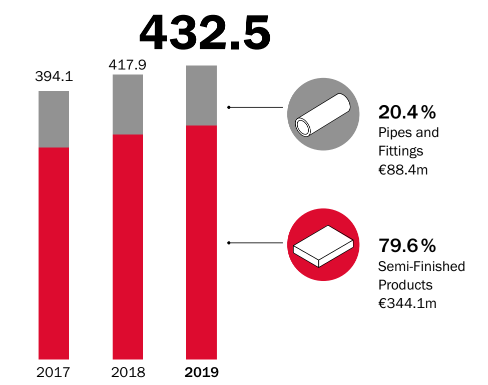
STOCK PERFORMANCE

		2019	2018	2017
Earnings per share	€	34.13	40.24	29.08
Dividend*	€	10.00	14.00	12.00
Dividend yield	%	2.0	2.9	2.1
P/E ratio**		14.8	12.2	19.8
Year-end price	€	505.00	490.00	574.45

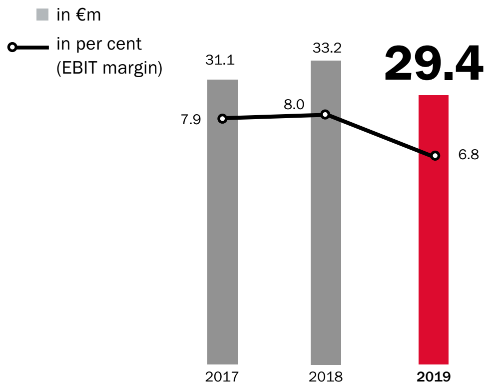
* cf. chapter "Stock Performance and Capital Markets"

** Calculated on Group basis

REVENUE BY PRODUCT AREA (in €m)

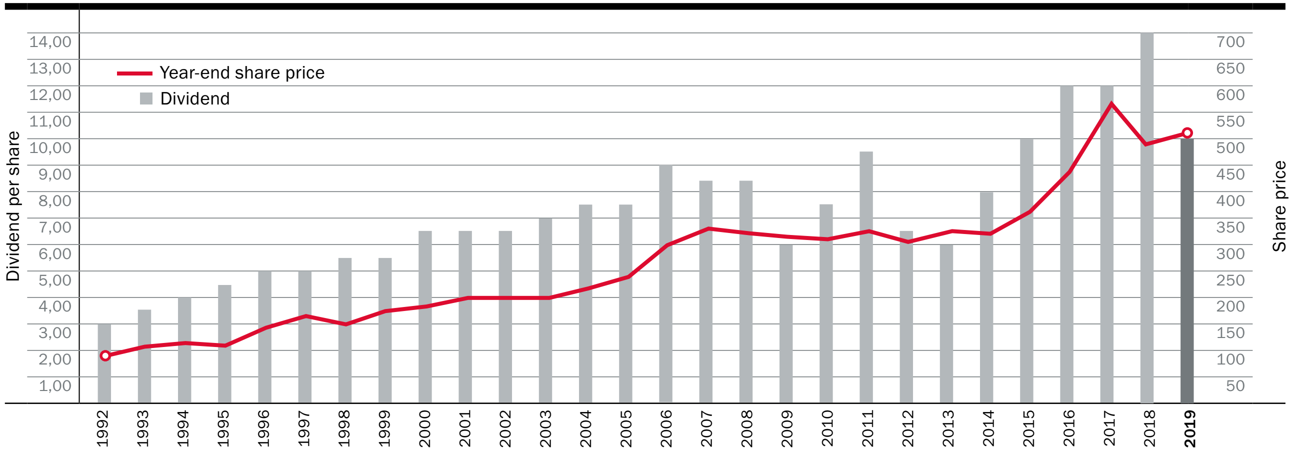


EBIT

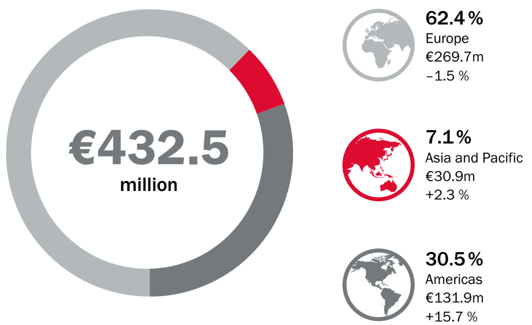


SIMONA Key Financials – At a glance

SHARE PRICE AND DIVIDEND SINCE IPO (in €)

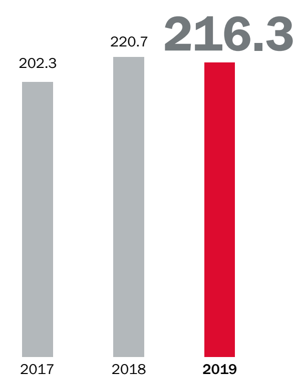


REVENUE BY REGION



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

EQUITY (in €m)



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The new Global Management Team (from left to right): Michael Schmitz (CFO SIMONA Group), Larry Schorr (CEO SIMONA North America), Matthias Schönberg (CEO SIMONA Group), Dr. Jochen Hauck (COO SIMONA Group), YK Wong (CEO SIMONA ASIA)

Dear Shareholders,

2019 was a year dominated by challenging economic conditions, but it was also a period of significant change for our company. We succeeded in achieving a solid performance in financial terms, introducing a new leadership team at Management Board level and charting a key strategic course for a prosperous future.

At present, the coronavirus pandemic is posing sizeable challenges around the globe. We have introduced extensive measures aimed at protecting the health of our employees and business partners. While the pandemic has had an effect on our order books, the extent of this impact can be considered manageable at the time of compiling this report. We remain fully operable and capable of completing deliveries. At the same time, we will be deciding on regional adjustments to capacity levels as and when they are required. We have been analysing scenarios on a regular basis for the purpose of gauging the impact of the crisis on our

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company. Thanks to our financial solidity and good cash position, even worst-case calculations have shown that we will emerge from this pandemic safely. Having said that, the coronavirus crisis will affect our short- and long-term growth targets.

First, let us focus on the attainment of our financial goals for 2019. We fell slightly short of our revenue target, as the significant slowdown in the global economy during the second half of the year took its toll. Ultimately, at €432.5 million, we just missed the lower end of our guidance figure of €435 million, but still managed to record growth of 3.5 per cent. We are encouraged by our earnings performance. Our consolidated EBIT of €29.4 million lies within the guidance range of an EBIT margin of 6-8 per cent as well as being within the corridor targeted by the Group in the medium term.

A look at our performance in the respective regions and product areas shows where our strategic initiatives are already taking effect and where there are fields of action that we are addressing with projects agreed over the course of 2019.

Revenue growth was restricted almost entirely to North America in 2019. On the one hand, this was attributable to the first-time inclusion of SIMONA PMC for a full annual period. This acquiree was successfully integrated within the Group last year. On the other hand, both our aviation and our industrial products business in the United States put in another solid performance in the period under review. In Europe, meanwhile, we saw a decline in revenues due to economic trends, although this downturn was less pronounced than that recorded by our principal customers – the chemical industry and the mechanical engineering sector. After a sluggish first quarter, we made up ground in Asia and were actually able to record a slight increase in revenue by the end of the year.

Both divisions achieved growth in the period under review. Within the area of Semi-Finished Products, growth was driven primarily by solid business in the United States from sheet products used in aircraft interiors. Sales in our core market of sheets for the chemical industry were stable, while business centred around PVC foam sheets for applications in the area of digital printing and exhibition design trended lower. We are satisfied with the level of expansion seen in the area of Pipes and Fittings. Our FutuRo100 strategy programme is beginning to bear fruit and we managed to achieve our growth targets by revitalising existing and developing new products.

The direction taken by the respective sales regions and product areas in the medium term reveals clear trends. Our business is becoming more global – a route we have been determined to pursue – and growth rates in Europe are marginal. These are the areas at the heart of our strategic initiatives for which plans were set out in 2019: process, application and customer orientation as well as global profitability. In 2020, our focus is on improving the competitiveness of our Semi-Finished Products business in Europe. We are developing a new Target Operating Model and optimising our sheet production and logistics. For this purpose, we have agreed the most extensive investment package in the last 20 years. We are also growing internationally with the establishment of global business areas such as rail vehicle interiors.

SIMONA is steadily evolving into a global company, and this is also to be reflected in our management and reporting structures. Our Management Board was newly constituted in 2019 and has been working well together. At an international level, we are also governing the company through our newly established Global Management Team (GMT). It consists of the Management Board of SIMONA AG and the CEOs of North America and Asia. The GMT has developed a KPI Cockpit on the basis of our balanced score-

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card, the aim being to identify deviations from targets. This allows us to introduce rapid countermeasures. The GMT will promote international knowledge transfer at all company levels, in addition to making global decisions relating to the direction to be taken. We are thus taking account of more extensive internationalisation and want to ensure that all regions make a sustainable, profitable contribution to the success of the company.

We are currently unable to issue a forecast of what this contribution will look like in the 2020 financial year, as the effects of the coronavirus pandemic on our business for the year as a whole cannot be reliably estimated at present.

Dear Shareholders,

The departure of Messrs. Moyses and Möller last year marks the end of an era for SIMONA – a period dominated by forward momentum and profitable growth. We would like to thank both long-standing members of the Management Board for their significant and highly successful contribution to SIMONA. The new Management Board would like to add new chapters of fruitful business development to the history of SIMONA. This annual report outlines the specific plans we will be putting in place, in addition to discussing how we intend to build on SIMONA's strengths and shape its corporate culture. We hope you enjoy reading it.

The Management Board of SIMONA AG

Matthias Schönberg
CEO

Dr. Jochen Hauck
COO

Michael Schmitz
CFO

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Focus on

STRATEGY + CULTURE

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Strategy, goals and culture

Over the last few years, SIMONA has achieved impressive growth coupled with solid profitability. Average annual revenue has increased by more than 7% since the strategic realignment of 2013. This period has also seen an average EBIT of 7.3%, which falls within the medium-term EBIT margin of 6%–8% targeted by the company.

SIMONA's success is built on three key strengths: excellent process engineering in the field of extrusion and injection moulding, the technical capability to further refine plastics and people with the skill and desire to meet all customer requirements. The new Management Board and Global Management Team have taken up the task of building on these strengths and adding to the company's capabilities. We aim to become the company with the highest degree of end-consumer orientation in all areas of application relating to our thermoplastic solutions. SIMONA stands for precision, reliability and trust. In future we also want to be synonymous with application orientation, flexibility and process agility

Focus on customer orientation

- Satisfaction
- Proximity to end customers
- It should be easy to do business with us
- Application-oriented thinking, product-oriented action

Achieving this goal requires us to think in an application-oriented manner and act in a product-oriented way. We will organise ourselves in such a way that we gain an even deeper understanding of our end customers' applications so that we are in a position to discuss their future requirements on an equal footing. From this basis, we can draw on our expertise in manufacturing and materials to offer the products and services that bring them the most added value. This not only applies to our core markets – the chemical processing industry, mechanical engineering and construction – but also to new sectors where we are keen to take a focused, systematic approach, such as mobility, aquaculture, semiconductor production, mining and water treatment. All our activities are focused on how our products will be used in these industries. Regardless of the sales channel, it is important to make contact with end customers. The Pipes and Fittings division has already adjusted its structures and processes to meet this objective. Our Semi-Finished Parts business in Europe and our global business segments will follow suit in 2020.

Matthias Schönberg, 52,
CEO/Chairman of the Management Board

- Diplom-Kaufmann
- 26 years' experience:
- 3 years with Axalta Coating Systems as President EMEA and Vice President Axalta Group (Switzerland)
- 17 years with Continental AG, including as Head of ContiTech Fluid Technology, Germany, CEO and Head of Continental Tire the Americas (USA), and Managing Director Continental Tire de Mexico (Mexico)
- Member of the SIMONA AG Management Board since 15 August 2019
- Interests: Hunting

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Focus on process orientation

- High degree of process reliability
- Continuous improvement in Production and Administration
- Leverage global production synergies

We aim to continue our profitable growth worldwide. We need to improve our competitiveness in the commoditised Semi-Finished Parts business in Europe. To this end, we have launched an investment programme for the Kirn site. The principle of continuous improvement is an integral part of our strategic initiatives in Production and Administration. The strategic alignment means the Pipes and Fittings business will continue to grow. We are looking to open up new growth areas in the US and Asia. In the US, this includes the pipes and fittings markets, while in Asia we continue to see significant potential in environmental technology and the semiconductor industry.

Our corporate culture is shaped by our guiding principle of being “A company like a friend”. We trust each other and develop lasting partnerships with all our stakeholders. That is who we are and who we want to be. Maintaining this corporate culture in the face of global growth and rapidly changing market conditions also requires us to embrace a culture of continuous improvement. To this end, we will focus more strongly on core processes and launch a staff training offensive.

Focus on development and learning

- Training concept focused on project management and problem-solving
- Communication and feedback culture
- Openness and commitment

We have set up a Global Management Team (GMT) to ensure this culture is also embraced at management level. It comprises the Management Board of SIMONA AG, CEO North America, Larry Schorr, and CEO Asia, YK Wong. The GMT uses selected KPIs to manage our global development, makes decisions about the direction of strategic initiatives that affect the company as a whole and examines key issues that are relevant to the future of SIMONA. The GMT has been reviewing the Balanced Scorecard (BSC) as a management tool for the Group and has revitalised and streamlined the process. Global succession planning is a key issue for 2020.

Creating benefits for society as a whole is a key element of our culture and strategy. Our durable products help to make chemical plants safer, facilitate the supply of clean drinking water and reduce emissions due to their low weight. SIMONA’s broad range of applications provides many other examples of the sustainable and intelligent use of plastics. We are fully aware of our responsibility towards the planet. We are actively involved in numerous initiatives to reduce plastic waste or prevent it from being generated in the first place. We are working on developing recycling systems and encouraging the use of recycled materials. It is already some years since we developed SIMOGREEN, our own product range made with bio-based materials. We plan to dovetail these many valuable measures into one overall concept. This process will begin in 2020, guided by the United Nations’ Sustainable Development Goals. Here too, the main focus will be on our customers. What do they want and expect from us in terms of products, supply chains and recycling? Which certifications will be required in future? Which KPIs are important for proving sustainability? Our sustainability strategy will also be aligned to the needs of our stakeholders.

SIMONA is well equipped to face the future. We are a globally active company that supplies growth industries with thermoplastic solutions. Our manufacturing systems are second to none and we have a dedicated, highly skilled workforce. We will focus on applications, customers and processes, systematically investing in these areas in order to consolidate and build on these strengths and enhance our global position.

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Focus on

CUSTOMERS + PROCESSES

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Customers, processes and markets

SIMONA has set itself the ambitious goal of establishing itself across all its fields of application as the company with the greatest end-customer focus. Today, SIMONA successfully develops and manufactures a wide range of products, including thermoplastic sheets, rods, pipes and fittings, for various industries.

This diversification has helped us to achieve solid growth in recent years. We have gradually made our structures and workflows more application-oriented, for example by splitting our Pipes and Fittings division into two business areas focused on infrastructure and industry, and by clearly aligning our subsidiary SIMONA Boltaron to the needs of our customers in the aircraft interiors market, where there is a strong focus on design. We want to strengthen this application-oriented strategy further still and ensure that each region makes a sustainable and profitable contribution to the company's success.

The strategic realignment of our Pipes and Fittings division shows that focusing in this way on applications can lead to successful innovation and product development. Thanks to a comprehensive investment programme to help it develop new products and revitalise existing ones, the division is well on its way to achieving the goal of the FutuRo100 initiative – revenue of €100 million by 2022.

When it comes to focusing on applications, we still have some catching up to do in the European Semi-Finished Parts business. Our knowledge of developments in individual markets and our proximity to the end customer have suffered in recent years, partly due to a greater emphasis on the commercial side. We want and must continue to retain a broad portfolio in this field, but we will no longer devote ourselves with the same intensity and strategy to every single type of application. Our consulting-heavy business in the chemical processes industry requires a different kind of approach to the volume-based, price-driven business in the construction and digital printing industry. Looking forward, with this in mind, we intend

Dr. Jochen Hauck, 51, COO

- Diplom-Ingenieur (Dr.-Ing.)
- 25 years of professional experience, including:
- 12 years at Renolit SE in various roles (Global Sales Director RENOLIT CONTACT, Business Unit Manager RENOLIT COMPOSITES, Managing Director RENOLIT GOR Italy, Plant Manager)
- 5 years at Klöckner Pentaplast GmbH & Co. KG (Operational Manager PET Films in the Netherlands and other roles).
- Joined the Management Board of SIMONA AG on 1 January 2019.
- Interests: cooking, travel, culture

to organise our Semi-Finished Parts business in Europe in line with our market segments. That will allow us to control our entire Semi-Finished Parts business consistently and effectively while meeting the needs of our customers in a more flexible and targeted manner. We will continue to develop our expertise in order to gain a deeper understanding of each product application. The question of whether we sell our products directly to end customers or through distributors is less critical. The core message of our new strategy is 'focus' – on customer proximity through greater

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applications know-how, on profitable growth through the selective development of applications in new fields and on excellence through ongoing process optimisation.

Focus on competitiveness

- Kirn Investment Programme
- Project to optimize sheet production and logistics
- New Target Operating Model

As part of a strategic project to realign our Semi-Finished Parts business in Europe, we thoroughly reviewed our production processes and examined various scenarios. It was clear from our findings that we should continue to manufacture at our headquarters in Kirn and invest heavily here in measures that will strengthen our ability to compete.

To this end, we have set up two core projects – one to optimise sheet production and another to streamline our logistics. The main goal of the sheet production project is to help us reconfigure our production systems and make them more efficient while also responding flexibly to changing requirements. The package of measures includes modifying our plants to broaden our capabilities, boost capacity utilisation, increase material loading efficiency, improve the way we handle goods in circulation, automate process monitoring and control systems and optimise our organisational structures and processes.

In terms of logistics, requirements have increased relentlessly over recent years. There is a clear trend towards ever smaller shipments that involve greater manual handling. To address this challenge, the project starts off by optimising our picking and packaging logistics. We plan to invest in automation so that we can make our logistics systems more effective and serve our customers quickly and smoothly.

Our entire relationship with customers is built on the principle that it should be as easy as possible to do business with us. We analyse our processes and align them consistently and in streamlined form with the requirements of our customers. We invest in digitalisation projects to simplify our links with customers, establish new sales channels, improve our service and make our products even smarter.

Focus on global action

- Worldwide product development in international teams
- Establishing rail and semicon as global business areas
- Worldwide knowledge transfer and best practice

We aim to make even greater use of our worldwide expertise in process engineering to strengthen our position in global business fields. Our core specialisms are extrusion and injection moulding. Through company acquisitions, we have added other areas of expertise such as calendering, thermoforming and press laminating. We have increased our capacity to manufacture individual components, above all by investing in the plastics workshop operated by our Pipes and Fittings division. By combining the Technical Service Centre and our product management unit in Europe, we have strengthened the relationship between product development and technical expertise.

When smartly combined, all these skillsets can help us to develop applications in many new areas – in the aquaculture market, for example, where the global trend is towards onshore fish farms with multiple applications for our pipes, fittings and sheets. In terms of durability, chemical resistance and technical service, requirements in the aquaculture sector are comparable to those in the chemical processes industry, our core market. We will apply this principle in future to all those areas in which we aim to develop new applications. We will start by asking whether we can add value for the customer by adapting our technical know-how to the market.

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The interior design of trains is another example of a growth market with a promising future for SIMONA. The requirements, decision-making channels and technical specifications are similar to those of the aircraft industry, where we are very successful with SIMONA Boltaron.

SIMONA faces great challenges, but also great opportunities. We have set a strategic course that will make our diversified business – with a portfolio ranging from commodities to highly specialised products – more global and process-oriented, while allowing us to focus selectively on promising applications in many new fields. We will follow this path consistently and work hard to establish ourselves across all these applications as the company with the greatest end-customer focus. Passion, dedication and technical expertise combined with efficiency and speed. That is the path to continued success for the SIMONA Group.

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Focus on

ROBUSTNESS + DEVELOPMENT

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Financial strength and focused corporate development

SIMONA stands for financial robustness, both now and in the future. The profitable growth we have enjoyed over the past few years has made us more independent and given us more room for manoeuvre financially.

This has put us in a position to make acquisitions that will boost our current and future growth. Our strategy has always been focused on diversification, in terms of both regions and applications, and its implementation has helped our US business make a significant contribution to total earnings for several years now. We have grown less dependent on trends in our core European market of chemical equipment and plant engineering. Strengthening our market position outside Europe and providing solutions for new applications have allowed us to diversify our risk position, thus enabling us to withstand tough economic conditions, even over several years.

2019 was just this kind of tough year for SIMONA. Low order levels in Europe due to the economic situation forced us to introduce short-time work in some of our manufacturing and administrative teams. We rose successfully to the challenge and were able to virtually offset the weaker trend in Europe with additional growth in the USA. Although we did not quite meet our growth targets and posted lower EBIT than in 2018, we put in a good performance compared to the rest of the chemical and plastics processing industry. We managed to increase our cash flow from operations and bolster our liquidity, which makes us confident that we will be able to weather the coronavirus crisis well too.

Robustness enables investments

Why is financial robustness one of SIMONA's main objectives as a company? We want to remain independent and put ourselves in a position that allows us to make investments. Becoming more competitive, continuing our process of internationalisation, our plans for collaborating and recruiting talented staff in the future and our need to become more efficient throughout the whole company – all of this will require a great deal of investment.

Michael Schmitz, 57, CFO

- Law studies, apprenticeship in banking
- 29 years' professional experience:
- Including 22 years at SIMONA AG. Roles include Head of Marketing and Investor Relations, Head of Purchasing, Head of Strategic Corporate Development, CEO of SIMONA AMERICA Inc., CFO of the SIMONA AMERICA Group
- Previously spent six years as editor of trade journals
- CFO of the SIMONA Group since 2018
- Member of the Management Board of SIMONA AG since 15 August 2019
- Interests: equestrian sports, golf, cooking

We have given ourselves a lot to do for 2020 – regardless of the current coronavirus crisis. We want to invest over €34 million across the Group and particularly at our plants in Germany, focusing on optimising our sheet manufacturing and logistics. So we've launched our biggest investment package of the past 20 years. This primarily includes projects for automating our systems and processes and thus increasing efficiency in production planning and control. We're aiming for lower production costs and higher competitiveness.

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Even though we will be concentrating our investments on the manufacture of semi-finished parts in Europe in 2020, we will be continuing to invest in expanding our capacity for pipes and fittings and in our US and Asian plants. For instance, the growth and investment strategy that we launched for our Pipes and Fittings business two years ago has helped bring about significant growth, and we will be investing more in increasing our extrusion and injection moulding capacity in 2020 too.

Focusing on processes across the board

As well as making progress on the technology front, we also want to transform SIMONA into a company with a consistent focus on processes. This applies to all parts of the Group. It will mean introducing and actively embracing the principle of continuous improvement in all commercial and production-related processes. We will be laying the necessary groundwork in 2020 with numerous mini-projects and measures.

Investing in improving working structures and in the people who work for SIMONA will be essential if any of this is to happen. It is not only the ongoing coronavirus crisis that illustrates just how quickly the requirements of our world of working can change. Our physical workplace is no longer just an office, company information has to be available swiftly and securely anywhere in the world, and team members based in different locations have to be able to liaise efficiently and coordinate their work. These requirements are coming up against an increased need to share and pass on knowledge. As a medium-sized company, SIMONA is also engaged in a “war for talent” and is competing against big corporations for the best minds. All of this requires substantial investment in training and continuing professional development for our current employees and in recruiting new ones.

SIMONA has already achieved a great deal in this regard. We have our very own international young talent development group, which helps to prepare the next generation for taking on specialist and management responsibilities and promotes global dialogue.

Apprentices make up a high percentage of our workforce, and we run comprehensive training and CPD schemes. We work together with schools and universities and offer degree courses that include on-the-job learning. In 2020, we will bring all of our training and CPD activities together into a single overall programme. We will define key training areas in individual modules so that we can provide staff with more targeted and tailored support than they currently get.

Exploiting the opportunities presented by the digital transformation

The rapid progress of technology connected with automation and digitalisation is requiring us to invest heavily in expanding and harmonising our IT structures. We are following the principle of aligning our IT systems around the world as closely as possible with one another in order to enable knowledge and data to be shared and our reporting to be managed in line with globally harmonised KPIs.

The digital transformation is both an opportunity and a risk and poses a major challenge to a company of SIMONA’s size and structure. Although it offers enormous technological opportunities, it cannot be allowed to become an end in itself. We want to harness the digital transformation to lend technical support to our strategic objective of consistent process focus and excellence. However, we are also well aware that we only have limited resources at our disposal for such exciting and time-intensive projects. The methodological expertise and knowledge of the “right” digital instruments and channels are not in place across the board either. For this reason, we have pooled internal and external capabilities in a Digital Transformation Office.

As part of our digital strategy, we have identified a number of pilot projects that we are working on with interdisciplinary teams following a standard methodology. In doing so, we want to achieve some “quick wins” with the digitalisation of specific company processes, while also improving the project management skills of the staff involved across the board.

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Digital transformation

Digitalisation and automation

...are key levers for increasing efficiency across the entire organisation:

- Sales, production, logistics and administration processes
- Management Execution System (MES) to control and plan production
- Digital quality assurance
- Integrated supply chain (digital order processing in cooperation with suppliers)
- Remote working using video conferencing

Digital Transformation Office

- Manages all activities and brings them together in one place
- Equipped with internal and external specialist and methodological expertise
- Steering Committee including representatives of top management makes key decisions
- International exchange of knowledge
- Enhancing project management skills

M&A is part of our growth strategy

A final important part of our investing activities is company acquisitions. We won't be able to achieve our growth targets through organic growth alone. We'll be stepping up our M&A activities, not least in Europe. Getting a foothold in new sectors and applications through a greenfield strategy is nigh on impossible, at least not without spending a lot of time and money. Making smart purchases in our various regions and market segments will be a quicker way for us to achieve our overarching objective of greater proximity to our customers and their applications. And this will make us more financially robust.

Thus we have come full circle. Building on the foundations of financial strength and continuing to develop the company consistently, while weighing up risks against opportunities as best we can and daring to try new things within the bounds of our strategy. Acting pragmatically and adapting these actions flexibly to the prevailing circumstances. This will be hugely important over the next few months in light of the major challenges that the impact of the coronavirus will bring. We firmly believe that we can overcome these challenges in the interests of our employees, customers and all our stakeholders and guide SIMONA into a successful future.

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PROJECTS + MILESTONES

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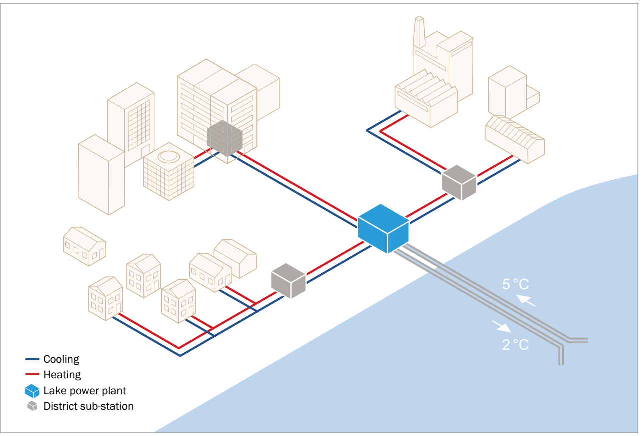
Projects

Whether they are used above- or underground, the fields of application for SIMONA products are exciting and diverse. 2019 saw the completion of several exceptional projects where the ability of SIMONA thermoplastics to withstand extreme conditions was crucial.

SPC protective jacket pipes for environmentally friendly district heating and cooling network in Switzerland

Lake Lucerne, regarded as one of the most beautiful lakes in the world, offers a unique landscape and natural environment. It’s a tourist destination that also serves as a drinking water reservoir. However, the lake also contains large reserves of heating and cooling energy. In a pioneering project, Seenergy Luzern AG, a subsidiary of ewl (Energie Wasser Luzern Holding AG) will tap into these reserves by realising an environmentally friendly district heating and cooling network to supply the lakeside municipalities of Horw and Kriens. Energy harnessed from lakes is an ideal option for environmentally friendly air conditioning, cooling and heating systems in residential and commercial buildings.



At a depth of 30 to 40 metres, the water temperature is consistently five degrees the whole year round. The pumped lake water transfers its energy to a pipe system using heat exchangers. The water cooled by around three degrees flows back into the lake. Heat pumps achieve the necessary temperature level for the heating supply, while peak loads can be covered with natural gas. The heat is then distributed via the piping system and transferred by a district heating substation to the indoor heating and hot water systems. Cold water can also be withdrawn from the lake for use in air conditioning and cooling systems. If these processes generate heat it is re-absorbed by the pipe network.

For this challenging project Seenergy was seeking a piping system that would both meet local specifications (e.g. of the SVGW, Swiss Gas and Water Industry Association) and offer maximum resistance to slow crack growth. SIMONA® SPC jacketed pipes were able to meet these requirements in full. More than 10 km of piping with a diameter of between 90 and 560 mm will be installed by the end of 2020.

SIMONA® twin-wall sheets ensure clean air

Although our sensitivity to bad odours may be subjective, they can become a nuisance if they affect entire communities. In Australia, if the odour from an industrial plant is felt to be annoying, this has to be investigated by an environmental officer. If the community’s suspicions are confirmed, the company has to take measures against air pollution. Australian company Bioaction developed the mobile air filter system FiltaMod™ to deal with these kinds of issues. Due to their easy workability, UV resistance and high stability combined with low weight, black SIMONA® PE 100 twin-wall sheets are used to build the filter module. The distributor Plastral, the processor Hercules Plastics and the SIMONA Technical Service Centre work in partnership to join the sheets using butt welding processes. SIMONA® twin-wall sheets are therefore suitable for both large and small systems. Thanks to the easy workability of the sheets, the module can be built by a small production team and makes a valuable contribution to protecting the environment.

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Projects

Rail projects in Russia

Facilitating environmentally friendly transportation is one of the key structural challenges worldwide. In this context, rail transport plays a crucial role. SIMONA is currently developing a comprehensive range of products for this market and has already realised a large number of projects in this area. One such example is in Russia, where meeting the national GOST standard is the benchmark for the use of materials in passenger carriages. The SIMONA material also delivers impressive results thanks to its optimum thermoforming properties, high dimensional stability and long service life. SIMONA is ideally placed to meet the individual requirements of manufacturers of passenger carriages in respect of colour and surface properties, for example. In 2019, in collaboration with business partners, two projects were successfully launched using SIMONA compact PVC sheets, which are GOST-certified. The composition of these sheets was optimised in our own R&D department, while the SIMONA Technical Service Centre provided technical support to the project.

Decorative translucent panels for Virgin Atlantic

Through a collaboration with Virgin Atlantic, London-based aircraft interior design firm FactoryDesign, and seat manufacturer AIM Altitude, SIMONA Boltaron supplied several custom parts for a range of luxurious interior fittings for the airline Virgin Atlantic.

Virgin Atlantic's A350 cabin features a communal space called "The Loft" where passengers can gather together and relax on the attractive leather sofas. SIMONA Boltaron developed a product specifically for the end pieces of the sofas. The material needed to match the leather of the sofa and also blend seamlessly with the overall look of the interior's luxury finishes. The solution was Boltaron® 9815P in a leather-look finish. Apart from its high-quality appearance, this material also offers excellent resistance to scratches and wear.

SIMONA Boltaron also supplied decorative translucent panels to serve as screen dividers between the cabin and the loft lounge area. The designers wanted to develop what is currently the largest decorative translucent element used in aircraft interiors, so the pattern was printed on a thin, transparent film.

The print was then press laminated and enclosed between two sheets of Boltaron® 9916. It was then thermoformed to ensure it would keep its shape in the frame. The result is a decorative panel that lets light through while functioning as a privacy screen.

Content

Projects

SIMONA® pipes safeguard drinking water supply in Schongau

Schongau, in the district of Weilheim-Schongau in Upper Bavaria, is battling groundwater depletion due to climatic changes. However at the same time, the development of new residential areas is increasing demand for water. To ensure the supply of clean drinking water to the community, new drinking water wells have been established in the last few years. Strommer Tiefbau GmbH connected these drinking water wells to the existing water supply system over a distance of 9 kilometres using SIMONA® drinking water pressure pipes PE 100 RC PAS 1075 Type 1. The PAS 1075 quality standard describes the key requirements for PE pipes installed using alternative pipe-laying methods and whose useful life is at least 100 years. The PE 100 RC material guarantees high flexibility, low weight and excellent resistance to stress cracks. The pipes were laid by IFK GesmbH using a trenchless ploughing method based on torpedo technology. Ploughing is one of the fastest and most cost-effective technologies for laying new plastic pipes. This method has minimal impact on the subsoil and is therefore very environmentally friendly. A winch is used to pull a pipe-laying plough and the pipe to be laid into the ground. After the pipe has been installed, the trench behind the plough closes. This process has minimal impact on the structure of the terrain, which can be readily restored.

Safe traffic routes thanks to SIMONA® drainage pipes

On completion, the Oberau bypass will be more than 4 kilometres long. To reduce traffic congestion in the Bavarian village, construction of the 3 km long twin-tube “Oberau” road tunnel began in 2015. Trial operation with two lanes in each direction is set to start in the second half of 2021. The project will have cost more than €200m by its completion. The tunnel is just one of a range of measures to reduce traffic congestion in the community. In 2019, Richard Schulz Tiefbau GmbH & Co. KG installed SIMONA® PE 100 drainage pipes for the drainage of mountain water runoff. To allow traffic routes to be used safely and without restrictions in the long term, drainage systems need to have good load-bearing capacity and must also be fracture-proof. In addition, there is stress on the drainage system from inflowing water. The water has to be drained off immediately to ensure ongoing drainage of the roads. This is the only way to avoid flooding and prevent the associated damage and instability in the road network. Every application presents special requirements. SIMONA and the authorities responsible worked closely together to find the right material for the job and tested PE and PP pipes with various slot geometries. By providing this kind of individualised support SIMONA was able to clearly distinguish itself from the competition and meet the exacting requirements of all stakeholders in the project.

Content

Projects

Safe storage of foodstuffs using SIMONA® PP-H AlphaPlus® sheets

TATE & LYLE plc is a British-based global supplier to the food industry specialising in the production of sweeteners, starch and other food supplements.

The hygiene requirements for modern food production are stringent. To be able to ensure continued hygienic storage of its food inventory in the long term, the company decided to renovate six concrete silos. The new material for the internal cladding of the silos needed to be easy to work with and certified for contact with food as per EU Regulation 10/2011. The material also needed to be permanently bonded to the concrete of the silo. Roos & Co. Kunststoff- und Metallverarbeitungs GmbH, which was engaged to rehabilitate the silos, opted to use SIMONA® PP-H AlphaPlus® sheets, which offer outstanding features like food compliance, easy workability and high chemical resistance. As well as this smooth sheet material, BEKAPLAST™ by STEULER-KCH GmbH was also used. BEKAPLAST™ sheets have anchoring studs on one side to create a permanent bond with the sealing compound. The smooth surface of the SIMONA sheets will prevent the future adhesion of foodstuffs, which is crucial for hygienic storage. *Further details >*

SIMONA® protective jacket pipes for trenchless installation in Belgium

For the FARYS Group, the renovation of the existing drinking water supply network in Sint-Niklaas, Belgium, represented a particular challenge. Due to the existing infrastructure, numerous obstacles had to be circumvented when planning the routing of the new pipelines. This meant that the pipes had to be laid into the ground with some bends in them and at different depths, necessitating a combination of open trench and trenchless pipe installation. For trenchless installation using the HDD (horizontal directional drilling) process, SIMONA® PE 100 SPC RC-Line pressure pipes were used in Belgium for the first time. The co-extruded PP protective jacket is especially suitable for trenchless installation and protects the pipe. This additional safety feature also convinced the end customer, the FARYS Group. As a specialist in this area, the BESIX Group was engaged to lay the pipes using the HDD process in collaboration with Verbraecken Infra NV. FARYS Group, SIMONA and specialist partner Profilplast Pipesystems B.V. (which has its own Technical Service Centre) subjected the pipes to extensive tensile strength and stability tests beforehand.

Content

Milestones

Faster, brighter, more resistant – SIMONA works tirelessly to improve its products and processes. The milestones recorded in 2019 highlight SIMONA's strengths: diligence, reliability and service.

SCM360° programme

So much more than a sheet supplier! SIMONA Boltaron launches its SCM360° supply chain management programme. Developing products for aircraft interiors is a complex task, and it is imperative that all the cogs in the supply chain mesh at every stage. SIMONA Boltaron has expanded its value chain in order to ensure consistently high quality from start to finish. SIMONA Boltaron has always had the technical expertise to fulfil airlines' requirements in terms of design, colours, surfaces and textures. But now SIMONA Boltaron is taking this a step further by offering to look after the entire process, from manufacturing the semi-finished product to the thermoformed component. The new SCM360° programme coordinates every single element of the supply chain.

When SIMONA Boltaron sheets are specified for an order, the company asks a select group of thermoformers to provide quotes for processing the sheets. These are then chosen in consultation with the OEM. At this point, SIMONA Boltaron assumes full responsibility for quality control and ensuring the timely delivery of the parts to the end customer. SIMONA Boltaron sets the guidelines for the whole process, from toolmaking to quality control. The company is not just the expert in manufacturing materials approved for aircraft interiors, but also in their handling and processing. This new programme means that all stakeholders can benefit from its expertise. There are clearly many advantages for the customer – less time spent on supplier management, no need to deal with quality issues between the sheet manufacturer and thermoformer, improved quality and on-time delivery of the end products.

Content

› Milestones

Established product range given a makeover

SIMOPOR products have been a key element of the SIMONA product range for many decades. The market has seen substantial changes in recent years, with a corresponding shift in product requirements. SIMONA has responded to this by giving its product range a clearer structure. It has created four new product categories to replace the previous SIMOPOR product range and, above all, to set new standards in product quality. This also involves optimising its internal processes and quality control, for example by using its own digital printing press. The new range has a product for every application, including the ever-popular pure white, the smart all-rounder and the cost-effective basic product.

SmartTank 2.0 delivers results with the TWS calculation module

Version 2.0 of the SIMONA® SmartTank tank calculation program gives SIMONA a unique position in the market. With its state-of-the-art calculation methods, verifiable outputs, user-friendly design and many other features, the program provides invaluable support when designing rectangular and cylindrical thermoplastic tanks. Among the latest functions is the integrated SIMONA® Twin-Wall Sheet module (optional), the only scientifically validated and officially verified tank calculation method for twin-wall sheets currently available.

K 2019 – Positive signs in turbulent times

“Discover what makes SIMONA valuable” – this is how SIMONA presented itself at the world’s leading plastics trade fair in Düsseldorf. SIMONA staff from three continents showed visitors to this international trade fair how its products and services can be used in a wide range of industries. In the course of eight intense but highly successful days, they talked to existing and prospective customers about promising new approaches and projects. SIMONA left Düsseldorf armed with a multitude of new challenges, ideas and contacts.

›

Content

Milestones

SIMONA® cable protection systems

For SIMONA, the energy transition brings huge challenges and fresh opportunities. In Germany, renewable wind power has to be transported from north to south, and this is increasingly being done via underground conduits. In order to ensure the reliable transport of power and data, SIMONA offers an extensive range of products designed to protect underground power cables over an extended period of time. These cable conduits are used to protect underground cables against environmental influences (wet conditions/moisture, soil loads and live loads) and prevent any subsequent damage. As a useful complement to the cable conduits, SIMONA offers a proven and extensively used cover sheet system for direct cable protection.

Investment in Litvinov

The SIMONA plant in Litvinov, Czech Republic, has invested in new equipment as part of its expansion and focus on specialist products. This means it can now produce SIMONA® SPC RC-Line protective-jacket pipes. As a result, the plant has significantly increased capacity and optimised its production technology. In Litvinov, SIMONA® SPC RC-Line protective-jacket pipes can now be made with diameters of up to 1,000 mm instead of 630 mm. Acquiring this technology means that SIMONA can now make the process more flexible and move forward with product development.

Investment in customer orientation and growth

Ringsheim mayor Pascal Weber (left in the photo) learned more about the investment programme at the pipe and fittings plant from Division Manager Helena Lau and CFO Michael Schmitz. A state-of-the-art hybrid injection moulding machinery with 6-arm robot for making plastic pipe fittings weighing up to 210 kg has been installed in Ringsheim. It took ten truckloads to transport it, including some heavy transporters. The production facility and existing machinery had to be extensively reorganised to accommodate the new 20-metre long system. This new injection moulding equipment will enable SIMONA to respond with greater flexibility to future market requirements. The new equipment means the plant can now produce small, large and exceptionally large fittings. And thanks to another injection moulding machine with state-of-the-art 3D camera system, it has increased capacity and replaced manual processes with fully automated ones. SIMONA has also invested more than 2 million euros in new tools, allowing it to make fittings in new sizes and increase output.

Content

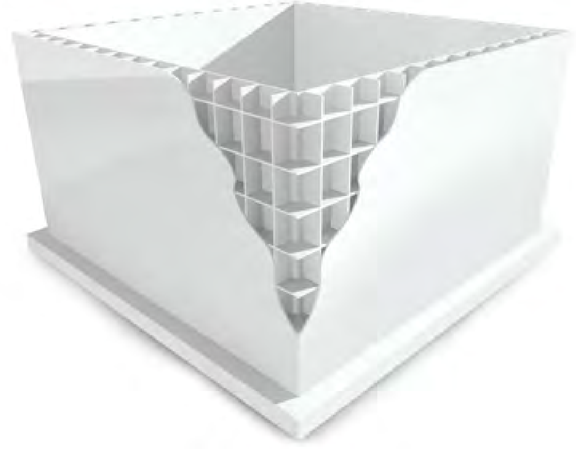
Milestones

SIMONA Academy goes East

After the launch of the successful SIMONA Academy training concept in Thailand, Malaysia and China it is now the turn of Taiwan. In Hsin Chu Science Park, Taiwan's Silicon Valley, training sessions were offered to around 80 processors and OEMs in the semiconductor industry, along with our trading partner Wan-Shan Technology Co. The training covered the SIMONA product range of FR- and FM-listed products for the semiconductor and extinguishing water industry. SIMONA's offers the world's largest range of products for this sector.

SIMONA TWS UV for outdoor use

SIMONA has extended its portfolio of third-generation twin-wall sheets to include a variant in white. The product retains less heat than grey or even black panels, especially in outdoor applications. This makes the sheet particularly suitable for outdoor use, for example in tank construction. SIMONA is the only manufacturer to offer cross-ribbed twin-wall sheets. Their development and production are tested by TÜV Süd and monitored by independent inspectors.



Boltaron Innovation Panel: an infinite variety of colours and textures

Boltaron Innovation Panel

The Boltaron Innovation Panel gave visitors to the Aircraft Interiors Expo in Hamburg an opportunity to play around with an endless variety of colour and design options. They could physically combine different colours, textures and patterns to suit their personal taste. This marketing instrument from our US subsidiary Boltaron proved to be a big hit at the leading trade fair for aircraft interiors. Visitors enjoyed this simple way of combining and visualising different options. Catherine Barber's design was a magnet for visitors and showed off the unlimited variety of Boltaron products.

Content

SUSTAINABILITY + SOCIAL ENGAGEMENT

Content

Sustainability

SIMONA has a responsibility towards people and the environment. Our products help to preserve resources by, for example, replacing heavier materials with lighter ones, facilitating water treatment and reducing CO_2 emissions.

Our PVC sheets have been free from environmentally unfriendly lead stabilisers for decades now, and over 98% of the waste generated in the production process is fed back into it. As a member of the industry's "Zero Pellet Loss" initiative, we also campaign actively against plastic pellet loss along the entire supply chain.

Our integrated quality, environment and energy management system underpins our efforts to continuously optimise our product and process quality in order to reduce our energy footprint and cut CO_2 emissions.

Our contribution to protecting the environment is exemplified by our successful environmental management system certified in accordance with DIN EN ISO 14001, while our quality and energy management systems comply with the requirements of DIN EN ISO 9001 and DIN EN ISO 50001 respectively.

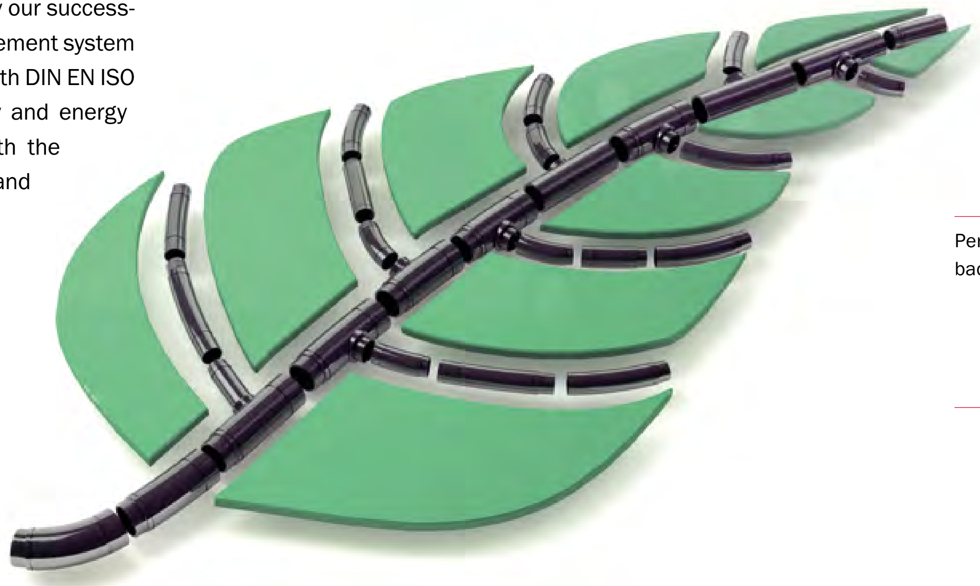
We are playing a major part in the "energy efficiency network" initiative organised by the chamber of commerce and industry (IHK) for Koblenz South, thus doing our bit to help Germany meet its climate and energy policy targets.

We are also an active member of the organisation VinylPlus, a scheme designed to make the PVC supply chain more sustainable.

SIMONA signs up to pro-K initiative


„Null Granulatverlust"
RESPONSIBILITY
pro-K-Initiative
„Null Granulatverlust"
SIMONA AG
Das Unternehmen bestätigt hiermit:
• in seinen Betrieben die nötigen technischen und organisatorischen Voraussetzungen zu schaffen, um das Verschütten von Granulat zu verhindern und sicherzustellen, dass einmal verschüttetes Granulat nicht in die Umwelt gelangt
• seine Mitarbeiter zu schulen, um verschüttetes Kunststoffgranulat zu vermeiden und ggf. effektiv zu beseitigen
• die Wirksamkeit der Maßnahmen regelmäßig zu überprüfen
pro-K
Industrieverband Halbzeuge und Konsumprodukte aus Kunststoff e.V.

"Zero Pellet Loss" is the ambitious target set by the initiative of the same name organised by pro-K, the industry association for semi-finished parts and consumer products made from plastic. Adopting the taglines "Zero Pellet Loss" and "Operation Clean Sweep", associations representing the plastics sector around the world are pursuing the global aim of preventing plastic pellet loss along the entire supply chain. pro-K's Managing Director Ralf Olsen presented SIMONA's certificate to COO Dr. Jochen Hauck at K 2019. The company's membership has also seen it get involved in projects to prevent marine litter. Supporting this initiative is part of the "Environment – Energy – Quality" programme at SIMONA.



Percentage of production waste fed back into the process

>98 %

Content

Social engagement

Supporting clubs, associations and initiatives at its sites all around the world forms a fundamental part of SIMONA's corporate philosophy, and numerous activities were supported once again in 2019.

SIMONA donates to playground renovation appeal

With a Christmas donation worth €10,000, SIMONA supported renovation work on the school playground at the Karl-Person-Grundschule in Ringsheim, Baden-Württemberg. "With some 200 staff, SIMONA AG is the biggest employer in the area," said the town's mayor Pascal Weber. "We're delighted that the company decided to support the local community with its project to modernise the school playground." The new concept for the playground also includes building an arena where children can be taught in the open air.

The donation cheque was handed over during the Christmas party.

Bidding farewell to the Management Board

Dirk Möller

COO Dirk Möller has played a key role in SIMONA's fortunes and development for more than 34 years. He took over management of the pipes and fittings plant in Ringsheim just two years after joining the company in 1985. Dirk Möller was appointed to the Management Board in 1993, assuming responsibility for the Production and Logistics business areas. He was given a fitting send-off in July 2019. Forged from a long family tradition and fuelled by his personal passion, Dirk Möller's affinity with SIMONA was second to none.

Wolfgang Moyses

A member of the Management Board since 1999 and at the helm of the whole company since 2003, Wolfgang Moyses has truly stamped his mark on SIMONA – just like SIMONA has on him, as he himself is keen to point out. Wolfgang Moyses played a crucial part in driving forward SIMONA's globalisation, successfully cultivated new areas of business and brought about a sustainable increase in both revenue and earnings. He is now taking on a new professional challenge. Wolfgang Moyses said his goodbyes to the people with whom he had enjoyed a special personal relationship at a celebration held at Gesellschaftshaus in Kirn in September 2019. In his speech in praise of the departing CEO, Chairman of the Supervisory Board Dr. Rolf Goessler recounted numerous anecdotes that highlighted the accomplishments in Wolfgang Moyses' career at SIMONA.

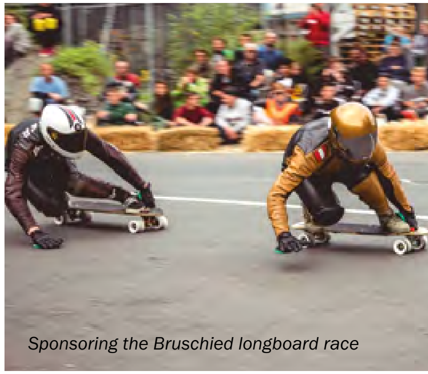
Content

Social engagement

SIMONA Family Day

It was the archetypal summer's day: enjoying picture-perfect late-August weather and high temperatures, staff from the Kirn and Ringsheim sites were joined by their families as they took in the celebrations, which were held in the logistics area at SIMONA headquarters. The programme of fringe events had much to offer guests young and old alike. Over 1,400 visitors took their opportunity to peek behind the scenes, where colleagues from Production and Logistics provided expert insights into the processing and handling of our thermoplastic products on their plant tours.

A convivial atmosphere at the SIMONA Family Day in Kirn



Sponsoring the Bruschied longboard race

In Bruschied, it's all downhill from here

June saw some 130 longboarders assemble in Bruschied, not far from our headquarters in Kirn, to speed down a curve-packed track as part of the German longboard downhill championships. SIMONA supported this sporting event, donating money as well as materials – in this case solid rods to make the "slide pucks", which provide a contact surface between boarders' hands and the tarmac on tight curves.

Taking a foam bath at the Children's Day in Litvínov

Children's Day in Litvínov

Where do Mum and Dad actually work, and what do they do when they're there? These are questions that children often ask themselves. At SIMONA Plast-Technik in the Czech town of Litvínov, the children of our employees had the chance to take a look around where their parents worked. The popular event was being held for an impressive fifth time in ideal weather conditions. Alongside numerous attractions, there was also a lot of useful information for the children to learn about their parents' work. The day was only made possible through the efforts of an army of volunteers.

Trainees' Day for VINK

Good relations with our global dealers are a key component of our success. We believe in long-term partnerships. Twelve trainees from one such company, VINK, came to visit us in Kirn. Our experts gave them valuable insights into different plastics, production processes and processing techniques as part of a plant tour, brief presentations and practical exercises at our technical centre, thus preparing the trainees for their future work at one of the leading dealers in semi-finished plastic parts.

Trainees from VINK Kunststoff GmbH visiting SIMONA

Content

Social engagement

New Management Board members take office

It was all change at the top at SIMONA in 2019. Wolfgang Moyses, who had been a member of the Management Board since 1999 and its Chairman since 2003, opted to take on a new challenge in his career and stepped down from the Management Board in September 2019. He has been succeeded as CEO by Matthias Schönberg, who brings 25 years' experience in successfully managing large and complex business segments. Previously, in June 2019, Deputy Chairman of the Management Board Dirk Möller also left his role. His successor, Dr. Jochen Hauck, has been on board since as long ago as January 2019 and has now been named COO. Dr. Hauck boasts decades of experience in executive roles at plastics companies including Renolit SE. Making up the trio of new faces on the Management Board is Michael Schmitz, who had been appointed CFO of the SIMONA Group back in 2018 and who was elected a member of the Management Board in August 2019. The new Management Board was introduced to shareholders at the Annual General Meeting in June 2019.

In the presence of the shareholders, the Supervisory Board reiterated their appreciation for all the hard work that the longstanding members of the Management Board had done. Mr. Moyses, they said, had been the driving force behind SIMONA's globalisation and expansion into new areas of business and had brought about a sustainable increase in the Group's revenue and earnings. Mr. Möller's greatest achievements, meanwhile, had been to set up and further develop the company's Pipes and Fittings division and expand its portfolio of materials with the new technology centre. The Supervisory Board extended a heartfelt welcome to the new members of the Management Board and wished them every success with their tasks at hand.

Lessons at SIMONA Boltaron

The Tuscarawas County Dale Lauren Foland Manufacturing Camp is open to seventh- and eighth-grade students in New Philadelphia, Ohio. SIMONA sponsored and acted as a mentor for the camp last year, providing a miniature thermoformer to demonstrate the thermoforming process, amongst other things. The initiative is part of SIMONA AMERICA's HR activities and is geared towards getting schoolchildren enthusiastic about a career in plastics manufacturing from an early age.

Standing up for animal welfare

Not all of us are angels. Quite the contrary, in fact – the SIMONA family welcomed a Tasmanian devil in 2019. This marsupial is threatened with extinction and has been a protected species since 1941. There are only a few of them left on the Australian island of Tasmania. Together with our partner Plasson Australia, we are getting involved in animal welfare with a sponsorship and are delighted with our little female devil, who has been christened Simona.

Our Tasmanian devil "Simona"

Content

Social engagement

SIMONA AMERICA Industries donates a police bike

SIMONA AMERICA Industries has kitted the local police department out with a new official police bike. Designed specifically for police use, the bike comes equipped with special lights and safety features. Police chief Bill Arthur was first to take the new “squad bike” bearing the SIMONA AMERICA Industries logo for a spin.

What’s so cool about plastic?

Pupils from the local Mid Valley school district visited SIMONA AMERICA Industries as part of the “What’s So Cool About Manufacturing?” video competition. The group were given a tour of the plant and learnt about our extrusion machinery from the machine operators. They then prepared a video presentation for their classmates, explaining what they had been able to learn about how plastic products are made.

Family Day at SIMONA AMERICA Industries

SIMONA AMERICA Industries organised a picnic at Knoebels Amusement Resort for all its employees and their families during the last two weekends in July. Knoebels is America’s largest free-admission amusement park and boasts rollercoasters, child-friendly rides, swimming pools, camping, golf and attractions for the whole family. Family Days form an integral part of the HR strategy “A company like a friend” and are held at SIMONA sites all over the world.

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Stock Performance and Capital Markets

SIMONA STOCK 2019

WKN (German securities no.)	723940
ISIN	DE0007239402
Type of security	Domestic stock
Par value	No-par-value shares
Issued capital	€15.5 million
Stock exchange	Frankfurt am Main (General Standard), Berlin
Price at beginning of the year	€494.00
Price at end of the year	€505.00
Annual high	€550.00
Annual low	€456.00
Price swing 2019	2.2 per cent

EARNINGS PERFORMANCE SIMONA GROUP

		2019	2018	2017
EBIT	€m	29.4	33.2	31.1
EBIT	%	6.8	8.0	7.9
EBITDA	€m	46.8	48.4	45.5
EBITDA	%	10.8	11.6	11.6
Total assets	€m	430.2	400.9	363.4
Equity	€m	216.3	220.7	202.3

on IFRS basis

STOCK PERFORMANCE

		2019	2018	2017
Earnings per share	€	34.13	40.24	29.08
Dividend	€	10.00	14.00	12.00
Dividend yield	%	2.0	2.9	2.1
P/E ratio*		14.8	12.2	19.8
Year-end price	€	505.00	490.00	574.45

* Calculated on Group basis

Stock market in 2019

Overall, 2019 proved to be a successful year of trading for stocks. At a global level, stocks increased in value by 17 billion dollars over the course of the twelve-month period. Germany's blue chip index, the DAX, was up 25 per cent, thus recording its highest annual gain since 2013. Against the backdrop of more lethargic economic growth, imminent trade wars, debate surrounding Brexit and a host of geopolitical conflicts, this performance came as a surprise to many market players. Stock markets benefited from the expansive monetary policies again implemented by central banks for the purpose of providing a positive stimulus for the economy.

The DAX closed the 2019 year of trading at around 13,250 points. Compared to the opening price of 10,559 points, this represents a gain of 25.48 per cent. Initially, stock markets continued to rally at the beginning of the year until the rapid spread of the coronavirus and the oil-related spat between Saudi-Arabia and Russia precipitated the world's most severe slump in share prices since the 2008 financial crisis. At the end of March the DAX stood at around 9,500 points.

SIMONA stock in 2019

SIMONA's share price rose to €530 at the beginning of the year. The stock subsequently trended sideways, apart from a few spikes, while trade volumes remained low. At the end of the twelve-month period, SIMONA's stock was up 2.2 per cent on the price recorded at the beginning of the year – an improvement on 2018, but still well short of the performance put in by the DAX. Stock performance in 2020 was dominated by equity market turbulence surrounding the coronavirus and oil dispute. At the end of March SIMONA's share price stood at €410.

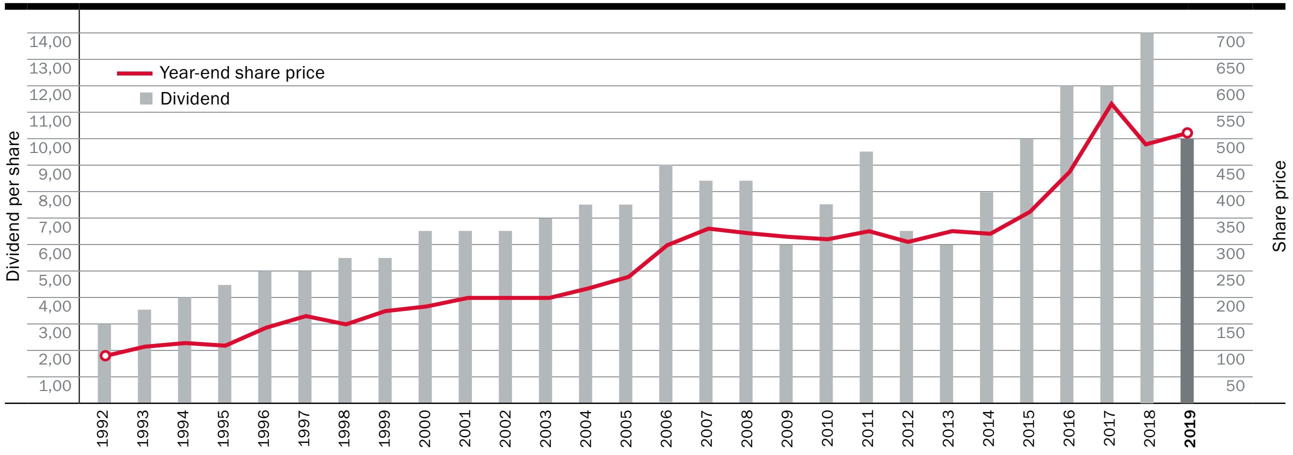
Dividend

In consultation with the Supervisory Board, the Management Board revised downward its original proposal for the appropriation of profit issued on 12 March 2020, which had stipulated an unchanged dividend of €14.00 per share for the 2019 financial year, to €10.00 per share. Its decision was based on more extensive knowledge gained in the meantime with regard to the anticipated severity of the impact caused by the coronavirus pandemic on SIMONA's business. In taking this approach, the Management Board and Supervisory Board want to provide shareholders with an adequate return on their investment, while also taking into account the impact of the coronavirus pandemic on liquidity required for the future.

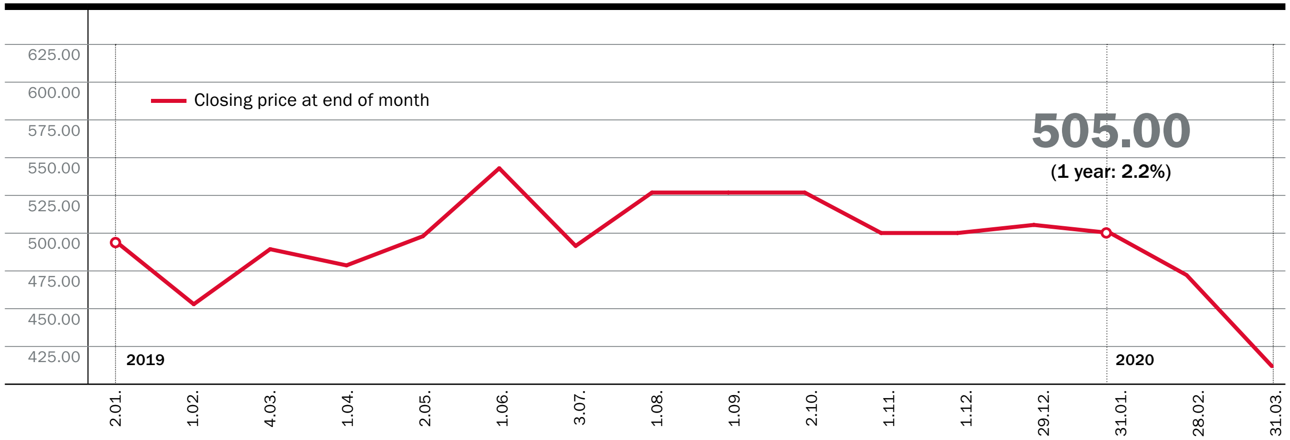
Content

Stock Performance and Capital Markets

SHARE PRICE AND DIVIDEND SINCE IPO (in €)



STOCK PERFORMANCE (in €)



Governing Bodies at SIMONA AG

Members of the Management Board

Matthias Schönberg (since 15 August 2019)
Chairman
Chief Executive Officer
Areas of responsibility
- USA and Asia-Pacific
- Strategic Business Development
- M&A/Strategic Projects
- HR and Legal
- Investor Relations
- Marketing and Communication

Dr. Jochen Hauck, Kirn (since 1 January 2019)
Chief Operating Officer
Areas of responsibility
- Semi-Finished Parts Division Europe
- Pipes and Fittings Division
- Global Business Segment Mobility & Life Sciences
- Research and Development
- Product Management/Technical Service Centre
- Global Process Development
- Logistics

Michael Schmitz (since 15 August 2019)
Chief Financial Officer
Areas of responsibility
- Finance
- Controlling
- Taxes
- Purchasing
- IT & Organisation
- Quality Management
- Real Estate and Construction

Wolfgang Moyses (until 30 September 2019)
Chairman (until 14 August 2019)
Chief Executive Officer
(until 14 August 2019)

Dirk Möller (until 30 June 2019)
Deputy Chairman
Chief Operating Officer

Members of the Supervisory Board

Dr. Rolf Goessler
Bad Dürkheim, Diplom-Kaufmann,
Chairman

Roland Frobel
Isernhagen,
Deputy Chairman

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

Martin Bücher
Biberach,
Chairman of the Executive Board of Kreissparkasse Biberach

Andy Hohlreiter
Becherbach,
Chairman of the Works Council,
Employee Representative

Markus Stein
Mittelreidenbach,
Deputy Chairman of the Works Council
Employee Representative

Supervisory Board Committees

Audit Committee
- Roland Frobel/Chairman
- Dr. Rolf Goessler
- Dr. sc. techn. Roland Reber

Personnel Committee
- Dr. Rolf Goessler/Chairman
- Roland Frobel
- Dr. sc. techn. Roland Reber

Content

Dr. Rolf Goessler
Chairman of the Supervisory Board

Report by the Supervisory Board – 2019 Financial Year

The performance of the SIMONA Group over the course of the 2019 financial year was influenced by the intensification of international trade conflicts. While Group revenue increased by 3.5% to €432.5 million, it should be noted that this gain was attributable almost entirely to the first-time inclusion of the acquiree SIMONA PMC, USA, for a full annual period.

Earnings were adversely affected in particular by sluggish demand within the Semi-Finished Parts division in Europe, as a result of which we were forced to introduce short-time work on a temporary basis during the second half of the year. By contrast, the Pipes and Fittings division recorded an encouraging performance with regard to both revenue and earnings. Overall, however, we failed to match the earnings improvements seen in recent years. The EBIT margin fell from 8% to 6.8%. EBIT totalled €29.4 million.

In consultation with the Supervisory Board, the Management Board initiated a number of strategic projects aimed primarily at strengthening SIMONA from a long-term perspective. Thus, we can look to the future with confidence. At the time of preparing this report, it was impossible for anyone to gauge the extent to which the corona crisis would prove detrimental to business.

As a precautionary measure, the Management Board has therefore, in agreement with the Supervisory Board, reduced its original proposal of 12 March 2020 for the appropriation of profits, which had orginally provided for the distribution of an unchanged dividend of €14.00 per share for the 2019 financial year, to €10.00 per share. In doing so, the Management Board and Supervisory Board would like to offer shareholders an adequate return on their investment, while also taking into account the impact of the coronavirus pandemic on liduidity required for the future.

During the period under review, Dirk Möller and Wolfgang Moyses left the Management Board on 30 June and 30 September respectively. We would like to thank both gentlemen sincerely for their many years of accomplished service at SIMONA. Dr. Jochen Hauck was appointed COO effective from 1 January 2019, while Matthias Schönberg and Michael Schmitz were appointed CEO and CFO respectively as of 15 August 2019. We would like to wish them the very best for their challenging roles.

Cooperation with the Management Board

Over the course of the 2019 financial year, the Supervisory Board discharged its duties under statutory provisions, the company's articles of association and terms of reference, advised the Management Board on a regular basis and evaluated and monitored management's activities in respect of legality, appropriateness and regularity. It also conducted an assessment of the company's risk management and compliance procedures and came to the conclusion that the system implemented meets the requirements to the fullest extent. The Management Board and Supervisory Board engaged in dialogue concerning the strategic direction of the company and regularly discussed the status of execution with regard to strategic initiatives. The Supervisory Board was directly involved in all decision-making processes of fundamental importance to the company. The Management Board informed the Supervisory Board as part of regular written and verbal reports, furnished in a timely and comprehensive manner. At the same time, the Management Board outlined any deviations between specified targets and the actual course of business, elucidated them in full and explained any countermeasures taken to rectify the situation. The content and scope of reports furnished by the Management Board met the requirements set out by the Supervisory Board. In addition to the above-mentioned reports, the Supervisory Board asked the Management Board to provide supplementary information relating to certain issues.

In particular, the Management Board was available at Supervisory Board meetings for the purpose of discussing specific points and answering any questions put to it by the Supervisory Board. Transactions requiring the Supervisory Board's consent were discussed and examined in depth in cooperation with the Management Board. Where required, the Supervisory Board also convened without the Management Board being present.

The Chairman of the Supervisory Board was also kept fully informed by the CEO about current matters and circumstances in between meetings convened by the Supervisory Board and its committees. In the case of significant events in respect of the situation and performance of the company, this information was provided immediately.

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Report by the Supervisory Board – 2019 Financial Year

Additionally, the Chairman of the Supervisory Board conducted one-to-one meetings with the other members of the Management Board for the purpose of discussing specific issues relating to their remit. In accordance with the requirements of the German Corporate Governance Code (GCGC), the Supervisory Board uses a self-evaluation questionnaire to regularly assess how effectively it as a whole and its committees perform their duties (efficiency review). The results are discussed on an anonymous basis at a meeting, including any potential for improvement. The last self-evaluation took place in 2019 and resulted in grades ranging from good to excellent in the individual categories that were subject to review.

The members of the Supervisory Board organise training and further training measures on their own initiative, with SIMONA AG supporting the members of the Supervisory Board in an appropriate manner where this is necessary. This is a requirement under the provisions of the new GCGC. In this context, no joint measures were implemented for the Supervisory Board.

Supervisory Board meetings

The Supervisory Board convened 4 scheduled meetings over the course of 2019. Each member of the Supervisory Board attended all meetings in person.

At the meeting on 12 April 2019, the focus was on approving and adopting the consolidated financial statements, the separate financial statements of the parent company, the proposal by the Management Board for the appropriation of distributable profit generated in the financial year 2018, the report by the Supervisory Board for the financial year 2018 and the result of the year-end audit conducted by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. At this meeting, the Supervisory Board also approved the Non-Financial Statement pursuant to Section 289 b) – e) HGB and the Corporate Governance Statements in accordance with Section 289f HGB and Section 315d HGB as well as the agenda for the Annual General Meeting in 2019. The Supervisory Board also discussed the current business performance and the outlook for the 2019 financial year as a whole. It informed itself about the status of the strategic Semi-Finished Parts Europe project and the conversion of the administration building in Kirn. The Supervisory Board also dealt with various M&A projects and the strategic refinement of individual product areas.

At its meeting on 6 June 2019, the Supervisory Board made preparations for the execution of the Annual General Meeting on 7 June 2019. It also dealt with current and future business performance, the status of the strategic Semi-Finished Parts Europe project and M&A issues. The German term for Audit Committee was changed from “Wirtschaftsausschuss” to “Prüfungsausschuss”. The Supervisory Board also met on this date, without the Management Board being present, and discussed and decided on personnel matters relating to the members of the Management Board.

At the meeting on 30 October 2019, the agenda included business performance and measures to respond to sluggish order intake. In addition, the Supervisory Board discussed M&A projects and obtained information on the implementation of investments, in particular the conversion of the administrative building at the Kirn headquarters.

At its meeting on 5 December 2019, the Supervisory Board discussed and approved the budget for 2020. In addition, it was informed about the Group’s business performance and received the outlook for the end of the year. Other topics included the results of the tax audit, the introduction of the Diligent Boards committee management program and the outcome of collective bargaining for employees in Germany.

Committee work

The Supervisory Board is assisted by the Audit Committee and Personnel Committee. Both committees regularly provide the Supervisory Board with extensive information relating to their activities. The Audit Committee is responsible primarily for issues relating to the supervision of the accounting process, the efficacy of the internal control system and the internal auditing system, year-end auditing, with a particular focus on the independence of the auditor, the additional services provided by the independent auditor, the determination of auditing focal points and arrangements relating to fees as well as compliance and acquisitions. The principal duties of the Personnel Committee are centred around compensation as well as the conclusion, amendment and termination of Management Board members’ employment contracts.

Audit Committee

The Audit Committee convened on four occasions. All committee members attended the meetings in person. In the year under review, we replaced the committee referred to in German as “Wirtschaftsausschuss” with a committee designated as “Prüfungsausschuss” (both “Audit Committee” in English) in order to create, from the outset, a broader basis for upcoming decisions, in particular by discussing issues of importance to the future in

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Report by the Supervisory Board – 2019 Financial Year

the plenary session of the Supervisory Board. A large part of the discussions were devoted to considerations on strengthening the Semi-Finished Parts division, the global search for further M&A candidates and the critical appraisal of existing commitments.

Personnel Committee

The Personnel Committee met on four occasions. All committee members attended the meetings in person. The discussions focused mainly on the leadership structure of the SIMONA Group and in particular personnel changes at the top management level with the proposals for the contractual arrangements for the new members of the Management Board as well as agreements still required for the departure of previous members of the Management Board.

Dealing with conflicts of interest

All members of the Supervisory Board are obliged to disclose conflicts of interest as soon as they occur. As in the previous years, there were no conflicts of interest during the 2019 financial year. Following our review, we ascertained that all members of our board are independent within the meaning of the German Corporate Governance Code. In this context, please refer to the Corporate Governance Statement issued pursuant to Section 289f HGB and Section 315d HGB.

Annual financial and consolidated financial statements

The accounts of SIMONA AG for the 2019 financial year were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. The firm was elected as auditor at the Annual General Meeting on 7 June 2019. Before proposing PricewaterhouseCoopers GmbH as auditor to the Annual General Meeting of Shareholders, the Chairman of the Supervisory Board had obtained confirmation from PricewaterhouseCoopers GmbH that there were no circumstances which might prejudice its independence as an auditor. The auditor conducted an audit and furnished an unqualified audit opinion with regard to the financial statements and management report of SIMONA AG and the consolidated financial statements and Group management report, which was combined with the management report of SIMONA AG, as well as the explanatory report by the Management Board in respect of disclosures under Section 289a and 315a HGB in conjunction with the accounting records. The financial statements mentioned above, the audit reports and the Management Board's proposal for the appropriation of the unappropriated surplus were submitted to all Audit Committee and Supervisory Board members in good time. At the Supervisory Board meeting on 23 April 2020, the independent auditor furnished detailed information about all material conclusions of the audit and answered all questions put forward by the Supervisory Board in a detailed and comprehensive manner. The Supervisory Board independently examined the financial statements and management report of SIMONA AG as well as the consolidated financial statements and the Group management report, which has been combined with the management report of SIMONA AG, as prepared by the Management Board, in addition to the explanatory report by the Management Board in respect of disclosures required under Section 289a and Section 315a HGB, the audit reports issued by the independent auditor and the proposal put forward by the Management Board with regard to the appropriation of profit. The Supervisory Board raised no objections upon conclusion of this final examination. The Supervisory Board concurs with the findings of the audit conducted by the independent auditor and approved the company's financial statements, which are thereby adopted pursuant to Section 172 sentence 1 AktG, as well as the consolidated financial statements at its meeting on 23 April 2020. It also approved the report by the Supervisory Board. Furthermore, the Supervisory Board concurs with the Management Board's proposal for the appropriation of profit. The Supervisory Board conducted a thorough review of the Non-Financial Statement issued by the company in accordance with Sections 289b - 289e HGB; it discussed it at its audit meeting on 23 April 2020 and adopted it accordingly. No voluntary review by the independent auditors was conducted in respect of the Non-Financial Statement, as the Supervisory Board possesses the requisite expertise in this matter.

We would like to thank all employees around the globe for their committed contributions. In this context, we would like to make special mention of our employees at the site in Kirn. They were and in some cases still are faced by particular challenges relating to the storm damage to the administration building, temporary short-time work and a number of ongoing projects. Our sincere thanks to all of you.

Kirn, 23 April 2020

The Supervisory Board
Dr. Rolf Goessler, Chairman

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Combined Management Report for the 2019 Financial Year

This management report combines the Group management report and the separate management report of SIMONA Aktiengesellschaft, Kirn (referred to also as SIMONA AG, SIMONA or company) (Section 315(3) in conjunction with Section 298(3) of the German Commercial Code – HGB).

This combined management report has been published instead of a Group management report in the annual report of the SIMONA Group.

It includes details relating to the course of business, including performance, as well as the position and expected development of the Group and SIMONA AG. Information pertaining to SIMONA AG has been included in the business review that can be found in a separate section with details presented in accordance with provisions set out in the German Commercial Code (Handelsgesetzbuch – HGB).

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1. Fundamental information about the group

1.1 THE BUSINESS MODEL OF THE GROUP

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 parts 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 aviation industry. Pipes and fittings are used primarily for drinking-water supply, sewage disposal and industrial piping systems, including the chemical process industry.

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

- Europe,
- Americas,
- Asia and Pacific,

the business segments comprise the product areas

- Semi-Finished Parts,
- 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 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 four plants located abroad. Semi-finished parts (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. (formerly Boltaron Inc.) produces thermoplastic sheet products at its plant in Newcomerstown (Ohio, USA), which are primarily used for aircraft interiors and in the building sector. Additionally, SIMONA PMC, LLC manufactures sheet products at its facility in Findlay (Ohio, USA). Made primarily from thermoplastic olefins (TPO) and acrylonitrile butadiene styrene (ABS), they are used in thermoforming applications.

Management and supervision at SIMONA AG

In the financial year under review, the Management Board consisted of the following members: Wolfgang Moyses (Chairman, until 14 August 2019, member of the Management Board until 30 September 2019), Dirk Möller (Deputy Chairman, until 30 June 2019), Dr. Jochen Hauck (since 1 January 2019), Matthias Schönberg (Chairman, since 15 August 2019) and Michael Schmitz (since 15 August 2019). 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, 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.

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1. Fundamental information about the group

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 orientation in 2019 and redefined it accordingly. 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 6-8 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:** processes are to be further refined and continuous process orientation is to be implemented in support of excellence. To this end, SIMONA will invest heavily in the regular training and development of its employees, as well as promoting and encouraging a culture of open 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 developing a deep understanding of the fields of application relating to the 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 our 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 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.

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. As regions, the United States and Asia were systematically included in the BSC process and the efficiency of the process was examined. Measures were introduced to ensure faster target agreement and better controlling with regard to target achievement.

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

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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 lower in 2019.

As regards process and material development of semi-finished parts, the focus in Germany was primarily on research into products with special requirements relating to fire behaviour and the use of recycled materials in PVC production as well as on the roll-out of systems for quality improvement and monitoring. A new extruder was purchased for the manufacture of transparent products and the industrialisation of new products. Process technology was optimised with regard to laminated products and fully fluorinated materials.

An extensive investment programme was implemented at the pipe and fittings plant in Ringsheim as part of the FutuRo100 strategy. Among other things, it includes new injection moulding machines for the production of stub flanges and large fittings. In addition, investments were made in extrusion technology for large-diameter protective-jacket pipes. At the plant in Litvinov, Czech Republic, investments were directed at the production of the new generation of SPC protective-jacket pipes. A CNC milling machine, which is also designed for large-sized milled parts, was put into operation at the plastics workshop. In addition, the production of SIMOFUSE integral electrofusion components was automated in the period under review.

Within the multifunctional plant in Litvinov, the plastics workshop was expanded for the production of customised components.

At the North American plants, capacity within the SIMONA Boltaron subsidiary was expanded by two new extrusion lines capable of handling products for aviation as well as other applications. Furthermore, the focus was on implementing continuous improvement and lean production projects. At the US subsidiary SIMONA PMC, technical integration into the SIMONA Group was driven forward in the period under review. Additionally, so-called “formable masking” was further refined. Investments were made at the plant of the US subsidiary SIMONA AMERICA Industries with the express purpose of achieving higher levels of productivity and efficiency. This included the modernisation of high-purity production by partially renewing components to optimise the extrusion of fluoropolymers.

At the plant in Jiangmen, China, the production of welding rods was successfully launched in 2019. The foundation for capacity expansion was laid with the approval of the investment in a second line for the production of PVC sheets.

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1. Fundamental information about the group

In the product area of Semi-Finished Parts, the range of SIMOPOR PVC foam sheets for printing, construction and advertising applications was realigned in Europe and successfully launched onto the market with new products. The range of fully fluorinated sheet products was supplemented by a laminated variant made of FEP with glass fibre and aramid fibre backing. The portfolio of twin-wall sheets developed by SIMONA was extended to include a UV-stable version made of white PE 100. The company's proprietary software for the calculation of tanks was extended to include a module for the computation of twin-wall sheets, and new features were presented at the K trade fair in Düsseldorf. For railway interior applications, an international team has been pressing ahead with product development and new products are to be rolled out in 2020. In the United States, 2019 saw the introduction of Boltaron 9815 True Pearl, a product for high-end decorative trims in aircraft interiors. Within the area of exterior applications, the new SIMONA® Boat Board® Lightweight was launched within the market, enabling a weight reduction of 20 per cent compared with conventional polymers. This material offers a long service life for boat applications, outdoor furniture and displays. SIMONA AMERICA Industries has been awarded NFPA 286 certification for products that are used in the fabrication of partition walls in sanitary applications. In the period under review, SIMONA PMC launched "OneStep", a vinyl/ABS-based range of sheet products in a high-quality leather look for marine applications.

Within the area of pipes and fittings, investments were directed at extrusion technology for the purpose of enhancing the properties of the product group of protective-jacket pipes and extending the dimensional range up to 1,000 mm in diameter. As part of the FutuRo100 strategy, the focus was also on material and product developments in future-oriented fields such as high-voltage cable conduits, rehabilitation and wear protection applications.

Expenses attributable to research and development within the Group amounted to €4,356 thousand in the period under review (previous year: €4,023 thousand). Expenses are mainly comprised of staff costs, material costs and depreciation of property, plant and equipment.

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2. Business review

2.1 MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

At an estimated 2.9 per cent in 2019 (2018: 3.6 per cent), the world economy grew at the slowest rate in ten years. In this context, the International Monetary Fund (IMF) cites geopolitical conflicts and the trade dispute between China and the United States as the main reasons. As a result, both industrial production and global trade lost their momentum in the period under review.

While the German economy managed to expand for the tenth year in succession, growth proved much less dynamic in 2019 than in the past. The country's gross domestic product (GDP) rose by 0.6 per cent, after 1.5 per cent in the previous year. Growth was underpinned primarily by domestic demand. Investment spending also increased, but the main focus here was on buildings and research and development. By contrast, capital expenditure on machinery and equipment, an aspect that is of particular importance to SIMONA's business activities, rose at a below-average rate of just 0.4 per cent.

According to projections by the European Commission regarding annual growth for 2019, GDP within the euro area rose by 1.2 per cent, i.e. at a noticeably slower rate than in 2018, when GDP had been up by 1.8 per cent.

The US economy grew significantly, by 2.3 per cent in 2019, although it too, as the world's largest economy, experienced a loss in forward momentum (2018: 2.9 per cent). Domestic consumption and a historically low unemployment rate were again the main economic drivers.

According to the National Bureau of Statistics, the Chinese economy grew by 6.1 per cent last year – the lowest rate since 1990. In 2018, China had recorded economic growth of 6.6 per cent. The slowdown in domestic demand and the trade conflict with the USA, lasting for almost two years, are the main reasons for the decline in growth.

According to the industry association GKV, revenue generated by the plastics processing industry in Germany fell by 1.2 per cent to €65.1 billion in 2019. Revenue generated from domestic sales fell more sharply than exports. As reasons, the GKV cited the difficult economic conditions currently seen within key customer industries, among them the automotive and mechanical engineering sectors, as well as the debate surrounding plastics and their effects on humans and the environment. The sharpest declines were recorded for consumer products and technical parts, while business relating to plastic products for construction applications expanded.

According to the German chemical industry association VCI, 2019 was a difficult year for the chemical and pharmaceutical industry. Revenue generated from sales within this area declined by 5 per cent to €193 billion. The industry's non-domestic business overseas and in Europe suffered from the global economic downturn and the trade disputes between China and the United States. At the same time, domestic demand for chemical products from industrial customers declined, according to the VCI.

The export-oriented mechanical engineering industry in Germany is expected to record a 2 per cent drop in production in 2019. The industry association VDMA attributes this to the trade dispute between China and the United States, more pronounced protectionism around the world, a global economic downturn, Brexit and the process of structural transition in key customer groups.

For 2019, the association of the building industry and the federation representing Germany's principal construction industry expect real (price-adjusted) revenue growth of 3 per cent in the principal construction industry. Both residential, commercial and public-sector construction contributed to the increase.

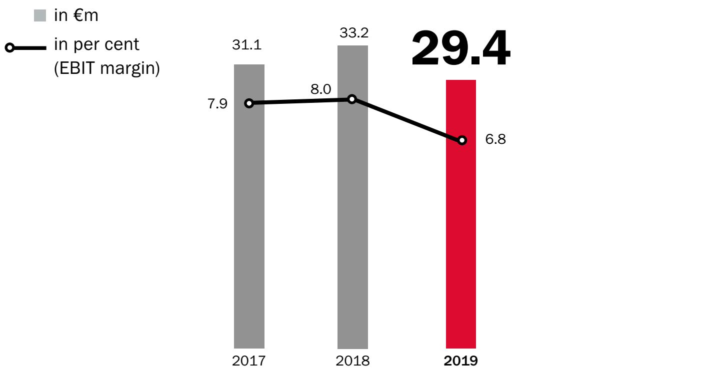
The global market for aircraft interiors is expanding by 5 per cent per annum, according to the market intelligence agency Counterpoint. The agency thus forecasts weaker growth than a year ago (5.6 per cent annual growth).

2.2 COURSE OF BUSINESS – SIMONA GROUP

Sales revenue totalled €432.5 million in the 2019 financial year (previous year: €417.9 million), which corresponds to an increase of 3.5 per cent. In regional terms, the Americas made the largest contribution to growth in the period under review. Revenues were up slightly in Asia. By contrast, revenue generated from sales in Europe declined due to economic factors. Competition remained intense in all regions and product groups. Therefore, the Group fell just short of the revenue guidance of €435 to 450 million for the 2019 financial year, as presented in the previous year's Group management report and 2019 interim report for the first half.

Group earnings before interest and taxes (EBIT) totalled €29.4 million, down from the figure of €33.2 million reported in the previous financial year. The EBIT margin stood at 6.8 per cent (previous year: 8.0 per cent). The Group therefore managed to achieve its projected EBIT margin of between 6 and 8 per cent. EBITDA fell from €48.4 million a year ago to €46.8 million at the end of the reporting period. This corresponds to an EBITDA margin of 10.8 per cent (previous year: 11.6 per cent), which is within the projected EBITDA margin range (10 to 12 per cent).

EBIT



At 9.6 per cent, Group ROCE was at the upper end of the range targeted (8 to 10 per cent), but down on the prior-year figure of 10.9 per cent.

Europe

The region comprising Europe saw sales revenue decline by 1.5 per cent to €269.7 million in total (previous year: €273.5 million). While the Group's Semi-Finished Parts business remained stable in Central Europe, its business centred around Pipes and Fittings was down slightly in the same region. In Eastern Europe, meanwhile, strong growth in the area of Pipes and Fittings compensated for a decline within the Semi-Finished Parts business. Western Europe saw a downturn in revenue due to sluggish Semi-Finished Products business, which the Group was unable to offset despite growth in its Pipes and Fittings business. Owing to the expansion in revenue from sales in the Americas, the share of total revenue attributable to Europe fell further in the period under review, down from 65.4 per cent to 62.4 per cent. EBIT within the segment covering Europe fell noticeably from €14.8 million in the previous year to €9.8 million in the period under review.

2. Business review

Americas

The region comprising the Americas saw sales revenue increase by a significant 15.7 per cent in total, taking the figure to €131.9 million (previous year: €114.2 million). This was driven primarily by a solid performance in the Aviation and Industrial Products business as well as the first-time inclusion of the acquiree SIMONA PMC for a full annual period. The share of total revenues attributable to this region rose yet again, from 27.4 per cent to 30.5 per cent. The Americas segment generated EBIT of €19.0 million (previous year: €17.9 million).

Asia and Pacific

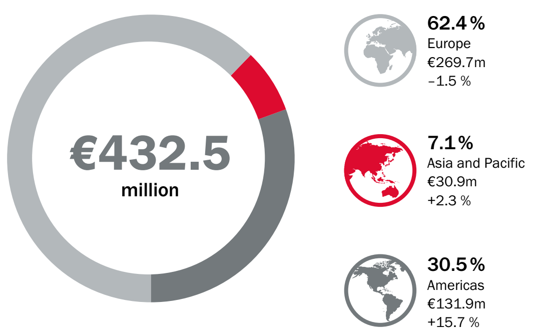
The region covering Asia and Pacific recorded a slight increase in revenue, taking the figure to €30.9 million (previous year: €30.2 million). While business in China was stable thanks to solid demand in the automotive sector, sales in South-East Asia were sluggish due to problems within the semiconductor industry and a general lack of pipe-related projects. The share of total revenues attributable to this region fell from 7.2 per cent to 7.1 per cent. The Asia and Pacific segment recorded EBIT of €0.4 million (previous year: €0.8 million).

Sales revenue by product area

The product area comprising Semi-Finished Parts generated revenue of €344.1 million (previous year: €333.7 million). The growth in revenue of 3.1 per cent in total was attributable mainly to buoyancy within the Industrial Products business in the United States, consistently dynamic Aviation business and the first-time inclusion of SIMONA PMC for a full annual period. Business centred around PVC foam sheets for applications in the fields of printing and construction trended lower in the period under review, while business relating to fluoropolymers was adversely affected by waning investment spending at a global level.

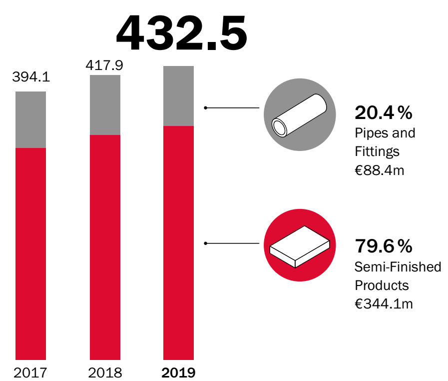
The product area comprising Pipes and Fittings achieved revenue growth of 5.0 per cent, taking the total to €88.4 million (previous year: €84.2 million), thereby meeting its growth targets. The strategic reengineering programme initiated in 2018 is taking effect. Gains were recorded in particular with regard to business centred around protective-jacket pipes as well as products used in rehabilitation projects. With the exception of Asia, project-driven industrial products business grew worldwide in the period under review.

REVENUE BY REGION



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

REVENUE BY PRODUCT AREA (in €m)



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2. Business review

Orders

Order backlog within the Group stood at €47.2 million (previous year: €51.0 million); of this total, a figure of €22.6 million (previous year: €24.1 million) is attributable to SIMONA AG.

2.3 FINANCIAL PERFORMANCE

Earnings

Group EBIT (earnings before taxes, interest and investment income) fell by 12.3 per cent, down from €33.2 million to €29.4 million. At 6.8 per cent, the EBIT margin was down on the figure of 8.0 per cent recorded in the previous financial year.

In total, gross profit (revenue, other income, change in inventories of finished goods and work in progress less cost of materials) improved to €208.5 million in the period under review (previous year: €197.1 million). The margin improved by 1.1 percentage points year on year to 48.2 per cent. Adjusted for the effect of the EEG levy exemption in the amount of EUR 4.7 million, the gross profit margin was 47.2 per cent, which was unchanged year on year (previous year: 47.2 per cent).

A decrease in inventories of €2.1 million was accounted for in the income statement (previous year: increase in inventories of €7.3 million).

Other income totalled €4.6 million (previous year: €4.9 million).

Commodity prices rose during the first half of 2019, before trending lower again in the period from July to the end of the year. Cost of materials amounted to €226.5 million in the financial year under review (previous year: €233.0 million). The energy costs included in the cost of materials were down by a total of around €3.0 million compared with the previous year. Of this figure, EEG levy exemption produced savings of €4.7 million, while higher energy procurement prices had an accretive effect of €1.2 million.

Staff costs stood at €85.7 million (previous year: €78.8 million), up 8.8 per cent on last year's figure. The year-on-year change is mainly the result of collective wage increases and the increase in personnel at the Ringsheim production facility and at the US companies.

Depreciation of property, plant and equipment and amortisation of intangible assets, including write-downs, amounted to €17.4 million (previous year: €15.1 million). Following the first-time application of the new IFRS 16 Leases, this figure includes depreciation of EUR 0.8 million on right-of-use assets under lease arrangements.

Other expenses increased year on year, up by 8.6 per cent to €76.0 million (previous year: €70.0 million). The increase was attributable mainly to higher expenses for maintenance work (+€1.2 million), distribution (+€1.3 million) and packaging (+€0.5 million) as well as higher costs relating to legal and consulting fees (+€1.5 million).

In line with the reduction in earnings before taxes (EBT), taxes on income fell from €8.0 million to €7.4 million. The Group tax rate in the year under review is 26.4 per cent (previous year: 24.9 per cent) and is slightly higher than in the previous year due to the effects of the scheduled tax audit completed at the end of 2019.

Segment-specific disclosures

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 the United Kingdom and Poland were, in part, substantially higher year on year. Earnings generated by the production company in the Czech Republic were slightly down on the prior-year figure. The cost of materi-

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als was €151.8 million (previous year: €165.6 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 €57.2 million, staff costs were up 2.4 per cent on the figure posted in the previous year. Other expenses totalled €50.5 million (previous year: €46.0 million).

In total, the subsidiaries operating within the Americas segment saw their contributions to earnings expand substantially in the financial year under review. The cost of materials amounting to €60.7 million (previous year: €53.6 million) rose mainly in line with the increase in sales volumes. Staff costs stood at €24.8 million (previous year: €19.7 million). At €23.2 million, other expenses were up by €3.8 million compared to the previous year.

Earnings within the Asia and Pacific segment amounted to €0.4 million, which is down on the prior-year figure (previous year: €0.8 million) due to a lower margin. While staff costs were up, other expenses were lower in the period under review. The sales companies operating within the Asia and Pacific segment saw their earnings decline year on year.

2.4 FINANCIAL POSITION

Total Group assets amounted to €430.2 million as at 31 December 2019, which was considerably higher than in the previous year (€400.9 million) due to an increase in provisions for pensions.

Changes to assets

Intangible assets totalled €38.0 million (previous year: €39.1 million) and mainly consisted of goodwill from the US acquisitions.

Property, plant and equipment amounted to €138.7 million (previous year: €129.1 million). Group capital expenditure on property, plant and equipment amounted to €23.5 million (previous year: €16.9 million). Depreciation and write-downs of property, plant and equipment stood at €14.6 million (previous year: €13.5 million).

The right-of-use assets relating to leases, which were recognised for the first time in the period under review, amounted to €2.0 million.

Inventories totalled €89.7 million (previous year: €92.4 million). Inventories of raw materials, consumables and supplies remained unchanged at €34.0 million. Finished goods and merchandise fell from €56.5 million to €54.7 million.

Trade payables were down by €4.3 million year on year to €59.7 million.

Current and non-current other assets and tax assets totalled €10.4 million (previous year: €10.7 million).

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

Changes to equity and liabilities

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

Group equity amounted to €216.3 million (previous year: €220.7 million), down €4.4 million on the previous year. This figure includes annual profit of €20.6 million for 2019 and the dividend payment of €8.4 million in the 2019 financial year. Group equity was diluted by €19.1 million, without affecting profit or loss, as a result of the remeasurement of

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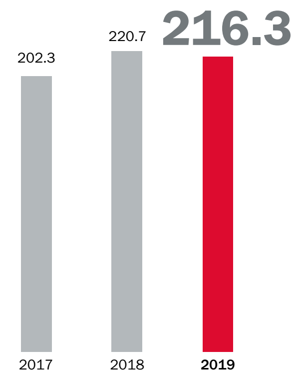
EQUITY (in €m)



pension provisions. This was due to a significant reduction in the IFRS actuarial interest rate. The equity ratio for the Group fell from 55 per cent to 50 per cent.

Current and non-current provisions for pensions were substantially higher at €137.9 million (previous year: €106.1 million). Due to the much lower IFRS interest rate, which fell to 0.91 per cent (previous year: 1.90 per cent), pension provisions were up markedly year on year.

At €18.7 million, trade payables were lower than in the previous financial year (€21.0 million).

Current and non-current other financial liabilities totalled €3.1 million (previous year: €2.2 million).

Other liabilities stood at €18.9 million in the period under review, i.e. up on the prior-year figure of €15.7 million; they were attributable primarily to management and staff bonus payments as well as deferrals/accruals relating to invoices and credit notes yet to be received.

In total, non-current (€4.5 million) and current (€1.1 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 €23.5 million (previous year: €16.9 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 €8.8 million at Group level (previous year: €3.4 million).

2.5 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. Additionally, firmly agreed lines of credit are in place. 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 €11.9 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 at the end of the reporting period.

At the end of the reporting period the Group had undrawn lines of credit totalling €19.0 million (previous year: €17.0 million).

Cash flows

In the period under review the inflow of cash from operating activities (gross cash flow) was €51.6 million (previous year: €34.8 million). The increase in cash inflows was attributable primarily to the reduction in inventories and cash relating to trade receivables. The cash outflow from investing activities was €-23.2 million (previous year: €-39.8 million; of which attributable to the acquisition of subsidiaries €-25.2 million) and mainly included investments in property, plant and equipment. Net cash used in financing activities was €-12.9 million (previous year: €-10.9 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 €68.4 million (previous year: €52.5 million) mainly consist of short-term bank deposits. The year-on-year swing of €15.9 million (previous year: €-15.5 million) was attributable to net cash from operating activities as well as, primarily, net cash used for investments in property, plant and equipment and net cash used in financing activities. These changes are presented in detail in the statement of cash flows.

Financial obligations

Current obligations included €9.4 million (previous year: €14.3 million) for contracts already awarded in connection with investment projects and €13.2 million (previous year: €12.1 million) in respect of purchase orders for raw materials.

Due to the first-time application of IFRS 16 Leases, the disclosure of financial obligations from operating rental and lease relationships is no longer required as from the 2019 financial year. In the previous year, financial obligations amounted to €2.8 million from operating rental and lease agreements; of this total, €0.9 million was due within one year.

Net finance cost

Based on finance income of €1.0 million and finance cost of €2.7 million, net finance cost amounted to €-1.7 million in the period under review (previous year: €-1.4 million). This includes the result from currency translation, which remained unchanged at €0.6 million.

2.6 COURSE OF BUSINESS – SIMONA AG

Sales performance at SIMONA AG was influenced mainly by an upturn in business within the area of Pipes and Fittings on the one hand and a decline in the market for Semi-Finished and Finished Parts on the other.

Sales revenue totalled €289.0 million (previous year: €300.6 million). This corresponds to a decline in revenue by 3.8 per cent. Revenue presented in the previous year's combined management report (EUR 271.5 million) was still based on revenue before separation. The change to €300.6 million is mainly attributable to revenues after separation attributable to goods deliveries, energy transfer and services between SIMONA AG and the separated production units.

Germany

Sales revenue in Germany fell by 7.8 per cent to €116.7 million (previous year: €126.6 million), primarily as a result of a downturn in business within the area of Semi-Finished Parts.

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Rest of Europe and Africa

The region comprising the Rest of Europe and Africa saw sales revenue decline slightly to €150.4 million (previous year: €151.6 million).

Americas

Revenue from sales in the Americas region increased to €7.4 million (previous year: €6.1 million).

Asia and Pacific

The Asia & Pacific region recorded a slight reduction in revenue, down by 11.3 per cent to €14.5 million.

Sales revenue by product area

In the product area comprising Semi-Finished Parts sales revenue decreased by 4.7 per cent to €182.4 million (previous year: €191.4 million). By contrast, revenue from the product group comprising Pipes and Fittings rose by 1.9 per cent, up from €84.7 million to €86.3 million. The area of business relating to Service and Others recorded revenue of €20.4 million (previous year: €24.5 million).

Earnings performance

SIMONA AG earnings declined year on year. Earnings before interest and taxes (EBIT), calculated on the basis of IFRS, totalled €3.6 million (previous year: €7.6 million), while the EBIT margin stood at 1.3 per cent (previous year: 2.7 per cent). Thus, the Group fell short of its EBIT margin target (3 to 3.5 per cent). EBITDA, calculated on the basis of IFRS, fell from €9.3 million in the previous year to €5.4 million in the period under review. The EBITDA margin stood at 2.0 per cent, compared to 3.5 per cent for the same period a year ago (target of 3.5 to 4 per cent). At 3.1 per cent, ROCE (based on IFRS) remained below the prior-year figure of 5.1 per cent (target 9 to 10 per cent).

The reduction in EBIT and EBITDA is mainly due to a deterioration in gross profit, slightly higher staff costs and an increase in other operating expenses. Overall, business performance with regard to revenue and earnings was not satisfactory in the 2019 financial year.

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

in €m	2019	2018
EBIT under IFRS	**3.6**	**7.6**
Change in inventories	1.3	–4.6
Cost of materials	–0.7	6.5
Staff costs (pensions)	3.2	4.2
Depreciation/amortisation/write-downs of intangible assets and property, plant and equipment	0.1	0.1
Other operating expenses	0.1	0.1
Other changes	2.9	–5.9
EBIT under HGB	**10.5**	**8.1**

2.7 REVIEW OF FINANCIAL POSITION, PERFORMANCE AND CASH FLOWS OF SIMONA AG (HGB)

Financial performance

Gross profit (sales revenue less cost of materials) amounted to €65.5 million, down by 21.9 per cent year on year. The gross profit margin fell from 27.9 per cent a year ago to 22.7 per cent. The cost of materials rose by 3.1 per cent year on year. Raw material costs decreased slightly over the year as a whole and energy costs fell as a result of the EEG levy exemption. The previous year's figure was, however, influenced by a one-off effect from the separation of production units.

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2. Business review

Other operating income totalled €4.7 million (previous year: €3.1 million). This figure includes gains of €2.7 million (previous year: €1.7 million) from currency translation.

Personnel expense amounted to €25.2 million, which was up 5.7 per cent on the prior-year figure. While staff costs were slightly higher year on year, social security and post-employment benefit costs rose by €1.3 million.

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

Other operating expenses rose from €31.7 million a year ago to €32.7 million in the period under review, an increase of 3.0 per cent. Expenses relating to consulting services, in particular, were higher in the period under review. Expenses attributable to currency translation amounted to €0.2 million (previous year: €0.7 million).

Interest and similar expenses totalled €4.4 million (previous year: €4.2 million) and consisted primarily of expenses relating to the unwinding of the discount, i.e. interest cost, of pension provisions (€4.0 million, previous year: €3.9 million).

Earnings before interest and taxes (EBIT), calculated on the basis of HGB, totalled €10.5 million in the period under review (previous year: €8.1 million), as a result of which the EBIT margin stood at 3.6 per cent (previous year: 2.7 per cent). EBITDA amounted to €12.2 million (previous year: €9.7 million). The EBITDA margin stood at 4.2 per cent, compared to 3.2 per cent for the same period a year ago. Profit after taxes totalled €9.8 million. Earnings performance in the financial year under review was characterised in particular by a decline in the gross profit margin, primarily due to the reduction in revenue and the slight rise in other operating expenses.

Financial position

Total assets attributable to SIMONA AG rose by €7.0 million to €275.1 million.

Non-current assets totalled €144.2 million (previous year: €154.1 million), down mainly as a result of the reduction in loans relating to the entities in the US.

Property, plant and equipment amounted to €8.2 million (previous year: €7.3 million).

Interests in affiliated companies remained unchanged year on year.

Loans to affiliated companies, amounting to €31.6 million (previous year: €42.1 million), relate to subsidiaries in the Americas and Asia. The subsidiaries in the United States repaid a loan of €10.5 million in the reporting period.

Inventories were down on the prior-year figure (€26.0 million), falling to €23.8 million. They include work in progress (€0.6 million) and finished goods and merchandise (€23.2 million). Inventories of finished goods and merchandise fell by €2.1 million compared to the previous financial year.

Trade receivables decreased by €0.5 million to €21.8 million. At €45.0 million, receivables from affiliated companies – comprising loans and goods deliveries – were up by €16.7 million year on year.

Other assets totalled €4.8 million (previous year: €5.6 million).

In total, receivables and other assets amounted to €72.0 million (previous year: €57.3 million).

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2. Business review

Cash and cash equivalents rose from €30.3 million a year ago to €34.8 million at the end of the reporting period, an increase of €4.6 million. The increase is mainly due to the return flow of loans, the repayment of KfW loans and the dividend payment.

Cash flows

SIMONA AG's equity rose by €1.4 million year on year to €187.1 million. At 68 per cent, the equity ratio was slightly down on last year's figure (69 per cent). This was attributable primarily to higher liabilities compared to the previous year.

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 €46.6 million (previous year: €42.8 million). In total, allocations to provisions for pensions were increased by €1.4 million compared to the previous year and stood at €39.6 million at the end of the reporting period. The discount rate fell to 2.71 per cent (previous year: 3.21 per cent). Other provisions totalled €5.4 million (previous year: €4.6 million).

Total liabilities increased by €1.9 million to €41.4 million.

Trade payables totalled €3.0 million (previous year: €3.9 million).

Liabilities towards affiliated companies amounted to €19.9 million (previous year: €13.6 million) and relate mainly to goods deliveries from the German production companies as well as the subsidiary in the Czech Republic.

Bank borrowings totalled €15.3 million (previous year: €18.7 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.

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.

At the end of the reporting period, SIMONA AG had undrawn borrowing facilities of €18.0 million.

Investments

Capital expenditure relating to property, plant and equipment at SIMONA AG amounted to €2.4 million in the period under review (previous year: €1.3 million). It mainly relates to investments in operating and office equipment at the company sites in Germany. In total, net investments (additions less write-downs) amounted to €1.0 million (previous year: €0.1 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 €34.8 million (previous year: €30.3 million), comprising bank deposits denominated in euro and foreign currencies. The increase is attributable mainly to cash outflows in connection with financing activities (loans granted to US companies, repayment of KfW loans and dividend payment).

2.8 NON-FINANCIAL INDICATORS CUSTOMER SATISFACTION

SIMONA measures customer satisfaction as part of pan-European surveys. Additionally, customers and target groups are surveyed in key markets outside of Europe, such as China and the United States.

The last extensive customer satisfaction survey in Europe was conducted in 2017. The findings of this survey showed that overall customer satisfaction (86.1 per cent) and the rate of recommendation (87.4 per cent) were again high. Thus, the levels recorded as part of previous customer surveys were matched. Compared to the last survey, SIMONA achieved better grades for its service offering in all product categories, e.g. sales admin and field sales, order processing, delivery/dispatch and applications engineering advice. Customers saw room for further improvement with regard to some aspects of SIMONA's training programmes, its website and complaints handling. The next extensive customer survey is scheduled for 2020.

Employees

As at 31 December 2019, the SIMONA Group employed 1,395 people (previous year: 1,413). The number of employees remained largely unchanged compared with the previous year's figure, as no further company acquisition took place in 2019.

The headcount at German entities within the SIMONA Group (SIMONA AG and the two production companies in Kirn and Ringsheim) was unchanged at 805 at the end of the year (31 Dec. 2018: 805). While staffing levels in Ringsheim were increased in a targeted manner due to more expansive revenues and sales volumes, the headcount in Kirn fell slightly, mainly as a result of retirements.

The number of trainees, which had already increased significantly in the previous year, was again maintained at the high level of 56 in 2019. These youngsters were enrolled in vocational programmes relating to one of eleven technical and commercial training courses offered by SIMONA. As in the previous year, in 2019 ten 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.

In 2019, the focus of training activities for employees was primarily on the individual needs of each employee as determined during the annual employee appraisals. In addition, all supervisors at the Kirn and Ringsheim sites received comprehensive training on occupational safety responsibility. The third generation of the Talent Promotion Circle (TPC) completed its first year of courses, focusing on communication and conflict management as well as leadership skills. The SIMONA TPC prepares high potentials for professional and managerial roles as part of a modular, two-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. At the Kirn plants, the 5-shift system in place in most areas was converted to a 4-shift system at the turn of 2019/2020. In parallel, a time-off account was introduced for industrial employees, which enables them to deal more flexibly with overtime and undertime, thus reflecting a more modern working environment. The conversion of the administration building in Kirn, which had been planned for some time, became necessary earlier than scheduled due to a severe storm in July 2019. In a first step, the third floor will now be completely redesigned and adapted to a modern working environment with an open and bright spatial concept.

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2. Business review

In August and September 2019, various areas of the company (Semi-Finished Parts division and Administration) had to announce short-time work as a result of a slump in orders. For a total of two months, the company reduced the working hours of a large part of its employees at the Kirn site and made use of short-time work allowances. Due to market recovery, short-time work was discontinued again after a very short period of time.

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 again confirmed by independent surveillance audits conducted in 2018. 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 division 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. In 2019, a project was launched to digitalise quality inspection on the extrusion lines in order to simplify processes and raise efficiency levels.

Information technology

As regards IT infrastructure, the focus in 2019 was on further improving IT security. Among other things, the use of USB removable storage devices, which may contain malware, was restricted to data carriers approved by the company. Many other clients were converted to so-called thin clients in the course of 2019, which enables cost-effective and simplified user administration.

The focus of IT application development in the past financial year was on supporting the revision of master data in the production areas, preparations for Brexit from a technical perspective and the system-side merger of two areas following the partial sale of a smaller product area.

IT Infrastructure and IT Application Development also supported hardware and software digitisation projects.

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3. Report on opportunities and risks

Capital expenditure within the industries served by SIMONA has been adversely affected by a lower propensity to invest amid global economic uncertainty. This applies in particular to the chemical industry and the mechanical engineering sector. Geopolitical conflicts and the coronavirus represent additional risk potential for 2020. The aviation business, in particular, may be exposed to significant risk as a result of the COVID-19 crisis. Due to the (temporary) discontinuation of services by air freight airlines, delays may occur in the area of logistics. We expect considerable shortages when it comes to the availability of containers for sea freight handling and a significant increase in freight costs during the second quarter. In China, risks arise from limited domestic transport and the lack of drivers and containers as well as cost increases. The debate on the environmental impact of plastics, particularly in Europe, may have a negative effect not only on business but also on the recruitment of skilled personnel. The discussion surrounding CO2 emissions from aircraft could have a detrimental effect on the market for aircraft interiors in the medium 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 CO2 emissions or enabling the treatment of drinking water or the transport of renewable energies over long distances. These areas of application call for highly functional plastics with customised properties. SIMONA's strategy is aimed at continuously evolving product characteristics from a technological perspective by leveraging its in-house R&D capabilities, in addition to extending its portfolio of materials.

In Europe, SIMONA has identified good opportunities to recapture market share in core sectors and unlock potential in new fields of application following the strategic reorientation of its Semi-Finished Parts business, the focus being on expanding its product and service offering and operating in a manner that is targeted more effectively at end customers and fields of application. The product and investment offensive in the area of Pipes and Fittings offers good opportunities to expand the Group's market position and benefit from fields considered promising for the future, such as the treatment of drinking water and energy transport.

In the United States, meanwhile, the subsidiary SIMONA Boltaron can draw on a highly adaptable product range and extended services tailored even more effectively to the exacting interior design standards applicable within the aviation sector. Good potential is also seen within the expanded portfolio that includes products for deep-drawing applications supplied by SIMONA PMC as well as the more extensive range of products for boat and display applications offered by SIMONA AMERICA Industries. 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 and chemical processes. The business segments focusing on the semiconductor industry and mobility applications are currently being established. SIMONA sees opportunities to offer customers an attractive range of products and services at a global level within these areas.

Overall, SIMONA believes the potential for unlocking opportunities remains good. Compared to the previous year, SIMONA's business prospects remain unchanged. However, the impact of the corona crisis has yet to be seen. Until recently, short-term economic factors appeared to be stabilising at a low level and medium-term structural factors, in particular industrial investment, which is important for business, were also expected to improve slightly due to the sluggish but gradual recovery of the global economy. However, leading economic research institutes currently predict a recession for Germany as well as for key international markets due to the corona crisis. The resulting effects cannot be reliably predicted at present.

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3. Report on opportunities and risks

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 annual 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 exchange rate and commodity price volatility, 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. Further expansion of production in the United States following the recent corporate acquisition and at the plants located in China and the Czech Republic will ensure a high degree of flexibility and will help to meet customer requirements in close proximity to their sites of operation and in a market-driven manner.

The company continues to be exposed to significant geopolitical risks. Worldwide, the risks have also become more pronounced due to the spread of the coronavirus and the debate surrounding plastics and the environment. Risks relating to the business environment and industry within the segment comprising Europe are being driven by the effects of Brexit, possible further trade conflicts and political uncertainties. In the Americas, meanwhile, risk exposure is being influenced by protectionist trade policies as well as by the conflict with Iran and the direction taken by the US dollar exchange rate. In the Asia and Pacific segment, the weak economic performance of China poses a risk that is exacerbated by the impact of the coronavirus. 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 at present.

Business strategy risks

In particular, they include the risk of misjudging future market developments and are estimated to result in revenue shortfalls of around €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, 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 financial 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 continued expansion of production and the company's market position in the United States. At the same time, 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 global economy grew less in 2019 than originally predicted and a slight recovery with higher growth rates was forecast for 2020, although the negative effects of the corona crisis cannot be estimated at present. The business-related risks of a slowdown in economic performance remain high.

The risk of bad debt losses is particularly high within the Southern and Eastern European market. Within 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, the potential risk roughly corresponds to the value of overdue receivables in the region of Southern and Eastern Europe. As regards transactions in Russia, a separate 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

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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.

Risks associated with interest rate changes are currently considered to be elevated. 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 facility of SIMONA AG, with its floating interest rate calculated on the basis of EONIA (euro overnight index average), is 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 cumulative change of +/- 0.5 per cent in the above-mentioned parameters are estimated at a total of around €30 to 40 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 to 10 million, which is attributable primarily to the share performance of SIMONA AG stock in recent years. The corona crisis has recently led to a considerable slump in prices on stock markets. The repercussions are as yet unknown. Plan assets were stable at the end of the year under review. SIMONA AG shares were up €0.5 million year on year.

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. Market prices were influenced primarily by demand and supply. We anticipate that the supply of raw materials and additives will remain stable in 2020. In the medium to long term, raw material prices are expected to remain stable. However, geopolitical influences, especially the corona crisis, may trigger significant price volatility. 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 of around €3.5 million. However, the probability of occurrence is currently considered low.

Investment risks

Investment risks mainly include the risk of misinvestment in machinery and in foreign investments. Potential investment risks are currently estimated at around €5.0 million and a probability of just 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 depart-

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ment 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.

In our assessment, the Group's overall risk situation at the end of the 2019 financial year is essentially unchanged compared with the previous year, although it should be noted that the corona crisis 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. 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 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.

The plausibility of numerical data is safeguarded at all levels by means of system-specific 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.

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4. Report on expected developments

Economic conditions

The IMF's forecast for 2020 and 2021 was based on the assumption of a tentative stabilisation and sluggish recovery of the global economy. Nevertheless, in spring, the IMF revised downwards its outlook for global economic growth slightly to 2.9 per cent for this year and 3.3 per cent for next year. This was attributable to the unexpectedly poor performance of the Indian economy. Major forecasting institutes are expecting a significant deterioration following the global spread of the coronavirus and the associated effects on companies. This also applies to the sector-specific conditions. At the time of preparing the management report it was impossible to quantify the possible deterioration caused by the corona crisis.

According to IMF data, the established economies as a whole were likely to see growth of 1.6 per cent in 2020. The rate of expansion in the United States was predicted to fall from 2.3 to 2 per cent. For the eurozone, the IMF assumed GDP growth of 1.3 per cent, while for Germany the IMF had revised downwards its forecast to 1.1 per cent. France's economy was predicted to grow by 1.3 per cent. Italy remains at the bottom of the league in the eurozone with 0.5 per cent economic growth for 2020. For China, the IMF pointed to a further slowdown in growth of 6 per cent and India's economy was predicted to expand by just 4.8 per cent due to a stronger than expected decline in domestic demand. Overall, it should be noted that a deterioration is to be expected in the wake of the coronavirus pandemic.

Companies in the chemical industry in Germany do not expect any short-term improvement in their business and assume that the low economic momentum will continue well into the current year. According to the VCI, foreign markets will also fail to provide any strong impetus for a turnaround in the chemical industry. For 2020, the VCI assumed only a slight increase in production output of 0.5 per cent in the chemical-pharmaceutical sector. With prices stagnating, revenue was predicted to grow by 0.5 per cent within the chemical industry as a whole. The mechanical engineering industry in Germany is also continuing to face considerable challenges. Due to the weakness of the global economy, the trade dispute between the United States and China and growing global protectionism, the industry association VDMA predicted a real decline in production of 2 per cent in 2020. The construction industry associations in Germany forecast nominal revenue growth of 5.5 per cent for 2020. Here too, it should be noted that the situation is expected to deteriorate in the wake of the coronavirus pandemic.

Sector-specific conditions

The industry association GKV assumes that the plastics processing industry in Germany will at best trend sideways in 2020. Companies' expectations with regard to revenues and earnings have deteriorated significantly. This is mainly due to growing uncertainty about the economic and political fundamentals – currently exacerbated by the spread of the coronavirus.

Future performance of the Group

SIMONA anticipates that Group revenue for the 2020 financial year will be between €430 and 440 million, while the EBIT margin is expected to be between 6 and 8 per cent and the EBITDA margin between 9 to 11 per cent. At Group level, the return on capital employed (ROCE) in 2020 is expected to be between 8 and 10 per cent.

The stagnating revenue forecast takes into account the past and anticipated effects of the coronavirus outbreak, price-related pressure likely to result from the lower oil price and an increase in revenue in the product area of pipes and fittings for infrastructure applications.

The company's ability to achieve its earnings targets will depend primarily on how the increasingly sluggish world economy develops. Against this backdrop, profit margins may come under greater pressure. Additionally, the attainment of earnings targets will depend on whether projected growth in the aviation market and in the area of Pipes and Fittings

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4. Report on expected developments

will materialise as planned. Furthermore, the impact of the coronavirus pandemic on the economy as a whole and on the Aviation business in particular is considered a key factor.

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 2020. 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 2020 financial year will be between €295 and 305 million, while the EBIT margin is expected to be between 1 and 2 per cent and the EBITDA margin between 1.5 to 2.5 per cent. The return on capital employed (ROCE) in 2020 is expected to be between 2 and 4 per cent. The forecast takes into account the effects of the coronavirus seen to date as well as those currently expected for the future.

In the sales region covering Germany, an expansion of the Pipes and Fittings business should compensate for declines in the area of Semi-Finished Parts. The region comprising the Rest of Europe and Africa is expected to see a stable development of sales revenue. The region covering the Americas and the region encompassing Asia and Pacific are expected to remain stable year on year.

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 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 2017 to 2019, 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 2017 to 2019, the second performance period comprises the financial years 2018 to 2020 and the third performance period covers the financial years from 2019 to 2021. 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	2019	2018
Fixed compensation		
Fixed salary and fringe benefits	1,140	890
Variable compensation		
Annual bonus	959	1,064
Long-term incentive programme		
Period 2016-2018, payment 2019	–	600
Period 2017-2019, payment 2020	502	–
Period 2018-2020, payment 2020	330	–
Period 2019-2021, payment 2020	126	–
Total compensation	**3,057**	**2,554**

The increase in Management Board remuneration in 2019 is mainly due to the temporary dual appointment of Management Board members. 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).

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5. Other information

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 €304 thousand (previous year: €301 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 €12,651 thousand as at 31 December 2019 (previous year: €12,478 thousand). IFRS-based pension provisions for active and former members of the Management Board were recognised to the full extent and amounted to €17,393 thousand as at 31 December 2019 (previous year: €15,846 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 7 June 2019 no such resolution for variable compensation components was passed for the 2019 financial year.

Supervisory Board compensation for the financial year under review amounted to €156 thousand (previous year: €162 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 31 December 2019, 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

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5. Other information

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.

A 31.19 per cent interest was held by Dr. Wolfgang und Anita Bürkle Stiftung, Kirn, a 15.04 per cent interest by Kreissparkasse Biberach (Biberach), an 11.64 per cent interest by Dirk Möller (Kirn), an 11.25 per cent interest by Regine Tegtmeyer (Nebel), a 10.0 per cent interest by SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH (Kirn) and a 10.10 per cent interest by Rossmann Beteiligungs GmbH (Burgwedel). The remaining 10.78 per cent of shares in the company were in free float.

As at 7 June 2019, members of the Management Board reported a total holding of 70,860 shares; this corresponds to 11.81 per cent of the share capital of SIMONA AG. The members of the Supervisory Board reported holdings of 1,300 shares as at the attendance date of the Annual General Meeting on 7 June 2019, 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.

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6. Non-financial statement in accordance with section 289 b)-e) 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 parts 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. Finished parts and profiles are destined in particular for the mechanical engineering and transport technology sectors.

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

A certified environmental management system in accordance with the requirements of DIN EN ISO 14001 forms part of the company's central policies. 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.

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.

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Material risks that are associated with the corporation's business relationships, products and services and that could be very likely to have a serious negative impact on the environment relate to the environmental footprint of the raw materials that SIMONA uses, the disposal/recycling of waste at customers' premises and non-conformance with product properties in environmentally critical and safety-related applications.

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. The risk of non-conformance with product properties is managed with a dedicated quality assurance system, which sets out testing and inspection plans for all products. Additionally, durable SIMONA products help to deliver effective solutions in response to market challenges, e.g. with regard to environmental engineering and utilities. SIMONA is an active member of VinylPlus, an organisation that focuses on improving sustainability within the PVC supply chain. In addition, the company is a co-initiator and holder of the PVC quality mark issued by Industrieverband Halbzeuge und Konsumprodukte aus Kunststoff e. V. (pro-K). Those entitled to use the mark have committed themselves to specific quality standards, in addition to delivering the best possible manufacturing expertise and a premium-quality service. In 2019, SIMONA joined the "Zero Pellet Loss" initiative organised by Industrieverband Halbzeuge und Konsumprodukte 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.

Energy issues

A certified energy management system in accordance with the requirements of DIN EN ISO 50001 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 most recent recertification took place in 2018.

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.

6. Non-financial statement in accordance with section 289 b)-e) HGB

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 will now also be carried out on an international basis from 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).

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 2020, SIMONA will focus on employee training and will establish a central training management system based on key topics identified by the organisation.

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 and company meetings.

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6. Non-financial statement in accordance with section 289 b)-e) HGB

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

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

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

Human rights

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

Combating bribery and corruption

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

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

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

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

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

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

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6. Non-financial statement in accordance with section 289 b)-e) HGB

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, 30 March 2020
SIMONA Aktiengesellschaft
The Management Board

Matthias Schönberg Dr. Jochen Hauck Michael Schmitz

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Group Income Statement of SIMONA AG for the Financial Year 2019

in € '000	Notes	01/01 – 31/12/2019	01/01 – 31/12/2018
Revenue	[7]	432,494	417,916
Other income	[8]	4,602	4,879
Changes in inventories of finished goods and work in progress		–2,055	7,269
Cost of materials	[9]	226,534	232,968
Staff costs	[10]	85,705	78,768
Amortisation/write-downs of intangible assets and depreciation/write-downs of property, plant and equipment as well as right-of-use assets under leases	[3,17,18]	17,377	15,137
Other expenses	[12]	75,998	69,951
Earnings before interest and taxes (EBIT)		**29,428**	**33,240**
Finance income	[13]	1,023	1,881
Finance cost	[13]	2,721	3,237
Result from investments accounted for using the equity method	[19]	261	413
Earnings before taxes (EBT)		**27,991**	**32,297**
Income taxes	[14]	7,404	8,046
Profit for the period		**20,587**	**24,251**
of which attributable to:			
Owners of the parent company		20,477	24,146
Non-controlling interests		110	105

EARNINGS PER SHARE

in €			
– basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[15]	34.13	40.24
– diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[15]	34.13	40.24

Group Statement of Comprehensive Income of SIMONA AG for the Financial Year 2019

in € '000	**01/01 – 31/12/2019**	**01/01 – 31/12/2018**
Profit for the period	**20,587**	**24,251**
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligations	–27,145	–2,074
Deferred taxes on remeasurement of defined benefit obligations	8,013	603
Items that may be reclassified subsequently to profit or loss:		
Exchange differences relating to currency translation	2,382	3,457
Deferred taxes from currency translation	–132	–169
Other comprehensive income recognised directly in equity	**–16,881**	**1,817**
Total comprehensive income	**3,705**	**26,068**
Total comprehensive income attributable to:		
Owners of the parent company	3,595	25,954
Non-controlling interests	110	114

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Group Statement of Financial Position of SIMONA AG for the Financial Year 2019

ASSETS

in € '000	Notes	31/12/2019	31/12/2018
Intangible assets	[17]	38,007	39,060
Property, plant and equipment	[18]	138,719	129,069
Financial assets	[33]	340	340
Investments accounted for using the equity method	[19]	1,143	949
Right-of-use assets under leases	[3]	2,026	0
Deferred tax assets	[14]	19,776	10,572
Non-current assets		**200,011**	**179,990**
Inventories	[20]	89,655	92,355
Trade receivables	[21]	59,702	64,017
Other assets	[22]	5,749	6,408
Income tax assets	[22]	4,607	4,235
Other financial assets	[33]	2,036	1,406
Cash and cash equivalents	[23, 30]	68,399	52,483
Current assets		**230,148**	**220,904**
Total assets		**430,159**	**400,894**

Content

Group Statement of Financial Position of SIMONA AG for the Financial Year 2019

EQUITY AND LIABILITIES

in € '000	Notes	31/12/2019	31/12/2018
Equity attributable to owners of the parent company			
Issued capital		15,500	15,500
Capital reserves		15,274	15,274
Revenue reserves		173,846	180,583
Other reserves		11,206	8,956
		215,826	**220,313**
Non-controlling interests		464	390
Total equity	[24]	**216,290**	**220,703**
Financial liabilities	[25]	11,855	15,280
Provisions for pensions	[26, 27]	136,150	104,356
Other provisions	[28]	4,484	3,441
Liabilities under leases	[3]	1,230	0
Other financial liabilities	[25]	644	59
Deferred tax liabilities	[14]	9,876	9,816
Non-current liabilities		**164,239**	**132,952**
Financial liabilities	[25]	3,425	3,425
Provisions for pensions	[26]	1,788	1,655
Other provisions	[28]	1,091	2,034
Trade payables		18,738	20,987
Income tax liabilities		2,497	1,302
Liabilities under leases	[3]	812	0
Other financial liabilities	[25]	2,412	2,119
Other liabilities	[29]	18,868	15,717
Current liabilities		**49,631**	**47,239**
Total equity and liabilities		**430,159**	**400,894**

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Group Statement of Cash Flows of SIMONA AG for the Financial Year 2019

in € '000	Notes	01/01 – 31/12/2019	01/01 – 31/12/2018
Earnings before taxes (EBT)		27,991	32,297
Income taxes paid		–7,823	–6,701
Finance income and finance cost (excl. interest expense relating to pensions)	[13]	291	210
Depreciation/write-downs of property, plant and equipment, and amortisation/write-downs of intangible assets as well as right-of-use assets under leases	[3, 17, 18]	17,377	15,137
Other non-cash expenses and income		2,341	–585
Result from disposal of non-current assets		77	99
Change in inventories	[20]	2,342	–10,228
Change in trade receivables	[21]	5,068	–4,746
Change in other assets	[22]	–622	–2,784
Change in pension provisions	[26, 27]	1,589	4,670
Change in liabilities and other provisions	[28, 29]	3,017	7,408
Net cash from operating activities		**51,648**	**34,777**
Investments in intangible assets and property, plant and equipment	[17, 18]	–23,620	–17,205
Payments relating to acquisition of subsidiaries and other business units less net cash acquired		0	–25,167
Proceeds from the disposal of assets		266	2,634
Proceeds relating to the short-term financial management of cash investments	[33]	0	89
Financial investments and payments relating to the short-term financial management of cash investments	[33]	2	–291
Interest received	[13]	135	147
Net cash used in investing activities		**–23,218**	**–39,793**
Repayment of financial liabilities	[25]	–3,425	–3,425
Repayment of lease liabilities	[3]	–801	0
Payment of prior-year dividend	[16]	–8,400	–7,200
Payment of prior-year dividend to non-controlling interests		–40	–41
Interest paid and similar expenses		–249	–239
Net cash used in financing activities		**–12,915**	**–10,905**
Effect of foreign exchange rate changes on liquidity	[30]	401	382
Change in cash and cash equivalents		**15,916**	**–15,539**
Cash and cash equivalents at 1 January	[23, 30]	52,483	68,022
Cash and cash equivalents at 31 December	[23, 30]	68,399	52,483
Change in cash and cash equivalents		**15,916**	**–15,539**

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Group Statement of Changes in Equity of SIMONA AG for the Financial Year 2019

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
		[24]	[24]		[24]		[24]	
Balance at 01/01/2018		**15,500**	**15,274**	**165,498**	**5,677**	**201,949**	**317**	**202,266**
Amount recognised directly in equity as part of the Statement of Comprehensive Income		0	0	–1,471	3,279	1,808	9	1,817
Profit for the period		0	0	24,146	0	24,146	105	24,251
Total comprehensive income for the period		**0**	**0**	**22,675**	**3,279**	**25,954**	**114**	**26,068**
Dividend payment	[16]	0	0	–7,200	0	–7,200	–41	–7,241
Other changes		0	0	–390	0	–390	0	–390
Balance at 31/12/2018		**15,500**	**15,274**	**180,583**	**8,956**	**220,313**	**390**	**220,703**
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**

Notes to Consolidated Financial Statements of SIMONA AG for the Financial Year 2019

[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 2019 were released by the Management Board on the basis of a resolution of 27 March 2020 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, fittings and finished parts made of thermoplastics.

The semi-finished parts 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 parts, 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. (formerly Boltaron Inc.)	Newcomerstown, USA
SIMONA PMC, LLC	Findlay, USA
OOO SIMONA RUS	Moscow, Russian Federation
SIMONA INDIA PRIVATE LIMITED	Mumbai, India

[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 +/- 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 2019 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 annual financial statements and 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 2019 to 31 December 2019.

IFRS pronouncement	Approval IASB	EU endorsement	EU first-time adoption
IFRS 16, Leases	13/01/2016	31/10/2017	01/01/2019
IFRIC 23, Uncertainty over Income Tax Treatments	07/06/2017	23/10/2018	01/01/2019
Amendments to IFRS 9, Prepayment Features with Negative Compensation	12/10/2017	22/03/2018	01/01/2019
Amendments to IAS 28, Investments in Associates and Joint Ventures	12/10/2017	08/02/2019	01/01/2019
Amendments to IAS 19, Plan Amendment, Curtailment or Settlement	07/02/2018	13/03/2019	01/01/2019
Annual Improvements to IFRSs 2015-2017 Cycle	12/12/2017	14/03/2019	01/01/2019

IFRS 16 “Leases”

In accordance with the transitional provisions of IFRS 16, IFRS 16 was applied for the first time using the modified retrospective approach with recognition of the associated effects in revenue reserves as at 1 January 2019. The comparative figures for the 2018 financial year have not been restated.

On applying IFRS 16 for the first time, the Group recognised lease liabilities. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. For the purpose of determining the incremental borrowing rate, the benchmark interest rates for a period of up to 15 years were derived from the yields of government bonds in key countries and currencies. The benchmark interest rates were complemented by a lease risk premium. The weighted average incremental borrowing rate of the lessee, applied to the lease liabilities as at 1 January 2019, was 1.95 per cent.

Up to and including 2018, leases on property, plant and equipment existed as operating leases in insignificant amounts. This does not result in any measurement adjustments as differences between lease liabilities and rights-of-use assets.

The Group used the following practical expedients when applying IFRS 16 for the first time:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Accounting for lease arrangements for which the lease term ends within 12 months of 1 January 2019 as short-term leases
- Use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease

Reconciliation of the obligation under operating leases to leases recognised in the statement of financial position:

in € '000	01/01/2019
Future payments to be made under operating leases as at 31 December 2018	2,845
Less: Short-term leases that are recognised as an expense on a straight-line basis	115
Less: Leases for which the underlying asset is of low value and that are recognised as an expense on a straight-line basis	558
Financial obligation from leases (IFRS 16)	**2,172**
Less: Discounting on initial application	-87
Plus/Less: Adjustments due to different estimates of extension and termination options	0
Plus/Less: Adjustments due to changes of indices or (interest) rates that affect variable payments	0
Lease liabilities recognised on 1 January 2019	**2,085**

The lease liabilities recognised on 1 January 2019 can be reconciled to 31 December 2019 as follows

in € '000	31/12/2019	01/01/2019
Current lease liabilities	812	638
Non-current lease liabilities	1,230	1,447
	2,042	**2,085**

The maturities of lease liabilities and depreciation are as follows:

in € '000	Up to 1 year	More than 1 year	More than 5 years	Total
Lease liability				
Future lease payments	835	1,294	63	2,129
Discounting	23	64	4	87
Present value	**812**	**1,230**	**59**	**2,042**

The right-of-use assets are measured retrospectively as if IFRS 16 had always been applied. At the time of first-time application of IFRS 16, there were no onerous leases that would have required an adjustment to the right-of-use assets.

The recognised right-of-use assets relate to the following types of assets:

in € '000	31/12/2019	01/01/2019
Land	501	1,326
Buildings	857	170
Operating and office equipment	44	54
Motor vehicles	614	400
Industrial trucks	10	135
	2,026	**2,085**

The conclusion of new lease agreements led to additions to right-of-use assets amounting to €929 thousand in the 2019 financial year.

The change in accounting policy affected the following items of the statement of financial position as at 1 January 2019: right-of-use assets and corresponding lease liabilities each increased by €2,085 thousand. The net effect on revenue reserves as at 1 January 2019 is €0.

Contrary to this, rental and lease expenses accounted for in other operating expenses decreased by €801 thousand.

Depreciation of right-of-use assets by class of underlying asset is as follows:

in € '000	31/12/2019
Land	96
Buildings	349
Operating and office equipment	13
Motor vehicles	272
Industrial trucks	60
Total	**790**

Expenses from lease liabilities are as follows:

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

In the period from 1 January 2019 to 31 December 2019, cash outflows from leases amounted to €801 thousand. There are no leases with variable lease payments.

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 1 to 11 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.

Up to and including 2018, no significant leases were accounted for within the Group.

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, variable lease payments, residual value guarantees and penalty payments are currently not part of the lease arrangements.

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Notes to Consolidated Financial Statements

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 12 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.

Effects on segment disclosures and earnings per share

The following segments are affected:

in € '000	Europe	Americas	Asia and Pacific	Group
Lease liabilities	1,253	570	219	2,042
Depreciation of right-of-use asset	456	209	125	790

The effects of the first-time application of IFRS 16 on EBIT, EBT and earnings per share for the period from 1 January 2019 to 31 December 2019 are insignificant.

Non-current and current financial liabilities, lease liabilities and other financial liabilities changed as follows in the financial year:

in € '000	31/12/2018	Cash effects	Non-cash effects	31/12/2019
Current financial liabilities and other financial liabilities	5,544	–3,425	4,530	6,649
Non-current financial liabilities and other financial liabilities	15,339	0	–1,611	13,728
Total	**20,883**	**–3,425**	**2,919**	**20,377**

The cash effects are included in cash flow from financing activities. The non-cash changes are other effects mainly resulting from the valuation of lease liabilities at present value.

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IFRIC 23, Uncertainty over Income Tax Treatments

The interpretation explains how deferred and current tax assets and liabilities should be recognised and measured in those cases in which there is uncertainty in respect of tax treatment.

No effects on the consolidated financial statements of SIMONA have been identified.

Amendments to IFRS 9, Prepayment Features with Negative Compensation

The amendments made to IFRS 9 Financial Instruments in October 2017 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss.

To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract and the asset must be held within a 'hold to collect' business model. These changes have no material impact on the consolidated financial statements.

Amendments to IAS 28, Investments in Associates and Joint Ventures

The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9, i.e. possible impairment losses relating to such interests are determined in accordance with the provisions set out in IFRS 9. However, the provisions set out in IAS 28.8 remain applicable, i.e. such interests must be accounted for in the allocation of losses when applying the equity method to the value of investments. No effects were identified.

Amendments to IAS 19, Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change,
- recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling,
- separately recognise any changes in the asset ceiling through other comprehensive income.

This is not expected to have an impact on the consolidated financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle

This Annual Improvements Cycle relates to the following standards: IFRS 1, IFRS 12 and IAS 28. These changes have no material impact on the consolidated financial statements.

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
Amendments to IFRS 3: Definition of a Business	22/10/2018	29/11/2020	01/01/2020
Amendments to IAS 1 and IAS 8: Definition of Material	31/10/2018	29/11/2020	01/01/2020
Amendments to References to the Conceptual Framework in IFRS	31/05/2019	29/11/2020	01/01/2020
IFRS 17, Insurance Contracts	18/05/2017	Open	Expected: 01/01/2021

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.

IFRS 3: Definition of a Business

The modified IFRS 3 "Business Combinations" may now only 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. It also contains clarifications on obscuring material information by providing immaterial information. No material effect on the preparation of financial statements is expected.

[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].

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Provisions

Provisions are recognised in accordance with the accounting policies discussed in Note [28]. 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 [26] and [27].

[5] SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Currency translation

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. (formerly SIMONA AMERICA Inc.)	Archbald, USA	US dollar
64 NORTH CONAHAN DRIVE HOLDING, LLC	Hazleton, USA	US dollar
Power Boulevard Inc. (formerly Laminations Inc.)	Archbald, USA	US dollar
SIMONA Boltaron Inc. (formerly Boltaron Inc.)	Newcomerstown, USA	US dollar
DANOH, LLC	Akron, USA	US dollar
SIMONA PMC, LLC	Findlay, USA	US dollar
Industrial Drive Inc. (formerly SIMONA PMC Acquisition 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

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.

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 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 ten years.

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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

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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.

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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.

Notes to Consolidated Financial Statements

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.

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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.

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Revenue recognition

The Group manufactures and sells semi-finished plastics as well as pipes and fittings. Revenue is recognized when control over the 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 Sales 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.

No contract assets or contract liabilities were identified.

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, as well as fittings and finished parts. The segment categorised as "Europe" encompasses the production and sale of semi-finished thermoplastics, profiles, pipes and fittings. 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.

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Notes to Consolidated Financial Statements

SEGMENTATION BY REGION

	Europe		Americas		Asia and Pacific		Total		Reconciliation		Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenues from external customers	269,724	273,569	131,913	114,190	30,858	30,157	432,494	417,916	0	0	432,494	417,916
Revenues from other segments	9,141	9,183	141	154	0	0	9,282	9,337	–9,282	–9,337	0	0
Segment revenues	**278,865**	**282,753**	**132,053**	**114,343**	**30,858**	**30,157**	**441,776**	**427,253**	**–9,282**	**–9,337**	**432,494**	**417,916**
Other income	4,386	3,314	249	266	1,409	2,766	6,044	6,346	–1,442	–1,466	4,602	4,879
Cost of materials	151,787	165,643	60,715	53,624	23,305	23,057	235,808	242,324	–9,274	–9,356	226,534	232,968
Staff costs	57,205	55,867	24,789	19,678	3,710	3,223	85,705	78,768			85,705	78,768
Depreciation, amortisation and write-downs	10,255	9,616	5,563	4,076	1,558	1,445	17,377	15,137			17,377	15,137
Other expenses	50,482	46,028	23,155	19,341	3,858	5,859	77,495	71,227	–1,497	–1,276	75,998	69,951
Earnings before interest and taxes (EBIT)	9,787	14,821	19,007	17,923	425	767	29,219	33,511	209	–271	29,428	33,240
Earnings before taxes (EBT)	9,956	14,740	18,063	17,583	–166	266	27,853	32,589	138	–291	27,991	32,297
Segment capital expenditure	15,392	9,911	7,374	5,568	853	1,726	23,620	17,205			23,620	17,205
Non-current assets	85,225	78,332	83,235	79,093	10,292	10,645	178,752	168,070			178,752	168,070

GERMANY

in € '000	2019	2018
Domestic revenue	99,955	102,785
Non-current assets	71,844	66,454

SEGMENT INFORMATION BY PRODUCT AREA

in € '000	2019	2018
Semi-Finished Parts	344,141	333,736
Pipes and Fittings	88,353	84,180
Revenues from external customers	**432,494**	**417,916**

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NOTES TO GROUP INCOME STATEMENT

[7] SALES REVENUE

Sales revenue is attributable solely to the sale of semi-finished plastics, pipes and fittings. The previous year had included additional revenue from the sale of finished parts. 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 €47,180 thousand (previous year: €51,038 thousand).

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

[8] OTHER INCOME

Other income includes the following items:

in € '000	2019	2018
Income from foreign currency translation	1,236	2,424
Reversal of provisions/Deferrals and accruals	505	1,181
Income from disposal of property, plant and equipment	42	–41
Income from services and commissions	181	232
Income from rental and lease	22	30
Miscellaneous other income	2,617	1,053
	4,602	**4,879**

The increase in miscellaneous other income is largely due to higher insurance refunds.

[9] COST OF MATERIALS

The cost of materials includes the following items:

in € '000	2019	2018
Cost of raw materials, consumables and supplies	224,392	230,980
Cost of purchased services	2,142	1,988
	226,534	**232,968**

[10] STAFF COSTS

Staff costs include the following items:

in € '000	2019	2018
Wages and salaries	67,288	61,991
of which from long-term employee benefits	1,216	657
Expenses relating to social security	13,815	12,051
Expenses relating to pensions	4,602	4,726
	85,705	**78,768**

Staff costs include employment termination indemnities totalling €235 thousand (previous year: €138 thousand).

Expenses relating to social security include defined contribution plans governed by German legislation (statutory pension insurance) totalling €4,486 thousand (previous year: €4,124 thousand).

[11] RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses amounted to €4,356 thousand in the period under review (previous year: €4,023 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	2019	2018
Outward freight	17,308	17,111
Other selling expenses	13,888	12,392
Maintenance expenses	13,429	12,231
Other administrative expenses	12,125	10,004
Expenses for packaging material	8,951	8,408
Other operating costs	2,486	2,774
Rental and lease expenses	823	1,722
Losses from disposal of assets	119	58
Losses from the derecognition of financial assets and impairment losses	837	444
Expenses from foreign currency translation	1,135	2,448
Other	4,898	2,359
	75,998	**69,951**

The increase in miscellaneous other expenses is mainly due to higher expenses associated with complaints.

[13] NET FINANCE INCOME/COST

in € '000	2019	2018
Finance income	**1,023**	**1,881**
of which income from the translation of financing-related monetary balance sheet items	888	1,734
of which interest from loans and receivables	117	77
of which other finance income	17	70
Finance costs	**2,721**	**3,237**
of which expenses from the translation of financing-related monetary balance sheet items	283	1,098
of which interest expenses from termination benefits	2,011	1,781
of which interest expenses from borrowings and financial liabilities	427	358
Net finance cost	**–1,698**	**–1,356**

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.

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[14] INCOME TAXES

The principal elements of income tax expense are as follows:

GROUP INCOME STATEMENT

in € '000	2019	2018
Current tax		
Current tax expense	8,144	4,587
Adjustments of current tax attributable to previous periods	499	3
Deferred tax		
Origination and reversal of temporary differences	–1,522	3,249
Change in loss carryforwards and tax credits recognised	283	207
Income tax expense reported in Group income statement	**7,404**	**8,046**

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	2019	2018
Earnings before taxes (EBT)	**27,991**	**32,297**
Income tax expense at German tax rate of 29.48% (previous year: 29.48%)	8,252	9,521
Adjustments of current tax attributable to previous periods	499	3
Unrecognised deferred tax assets relating to tax losses	148	45
Loss carryforwards used in connection with deferred tax assets not recognised in previous year	0	–113
Recognised deferred tax assets relating to tax losses	0	–329
Tax effect of non-deductible expenses	279	259
Tax rate differences	–1,689	–1,927
Changes to tax rate	–3	–4
Tax-free dividend income	26	54
Other tax-free income	–3	–120
Tax effects of permanent differences	1	90
Adjustments to carrying amount for loss carryforwards and tax credits	–191	0
Other tax effects not attributable to the period	67	0
Other	18	567
Income tax expense at effective tax rate of 26.5% (previous year: 24.9%)	**7,404**	**8,046**
Income tax expense reported in Group income statement	**7,404**	**8,046**

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). In India, the corporation tax rate was reduced from 25 per cent to 22 per cent with effect from 1 April 2019.

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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	31/12/2019	31/12/2018
Deferred tax assets		
Provisions for pensions	26,489	16,968
Other provisions and liabilities	890	592
Lease liabilities IFRS 16	278	0
Inventories	67	244
Receivables and other assets	208	165
Loss carryforwards and tax credits	374	657
Property, plant and equipment	914	719
Other items	112	123
	29,332	**19,468**
Deferred tax liabilities		
Goodwill	2,064	1,532
Right-of-use assets IFRS 16	411	0
Property, plant and equipment	11,478	10,767
Inventories	4,146	4,945
Receivables and other assets	866	888
Other provisions and liabilities	146	167
Other items	321	412
	19,432	**18,711**
Set-off	–9,556	–8,896
Deferred tax assets	**19,776**	**10,572**
Deferred tax liabilities	**–9,876**	**–9,816**
Net balance sheet position	**9,900**	**756**

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

in € '000	2019	2018
Beginning of the period 1 January	**756**	**3,880**
Income tax expense (previous year: income)	1,239	–3,456
Amount recognised directly in equity (total comprehensive income)	7,796	618
Currency translation	109	–286
End of period 31 December	**9,900**	**756**

At the end of the reporting period, loss carryforwards amounted to €2,344 thousand (previous year: €2,267 thousand). Deferred tax assets of €1,678 thousand (previous year: €1,530 thousand) were recognised for €374 thousand (previous year: €438 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	2019	2018
Between 3 and 20 years	1,176	738
	1,176	**738**

Deferred tax assets of around €172 thousand (previous year: €77 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	2019	2018
Profit or loss attributable to ordinary equity holders of the parent company	20,477	24,146
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 €)	34.13	40.24
Diluted earnings per share (in €)	34.13	40.24

No transactions with ordinary shares occurred between the end of the reporting period and the preparation of the consolidated financial statements.

[16] PAID AND PROPOSED DIVIDENDS

During the financial year a dividend, attributable to the ordinary shares of the parent company, in the amount of €14.00 (previous year: €12.00) per share was declared and distributed. The total payment made in the financial year under review amounted to €8,400 thousand (previous year: €7,200 thousand). A dividend proposal of €14.00 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 €8,400 thousand (previous year: €8,400 thousand).

NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

[17] INTANGIBLE ASSETS

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**

Goodwill was as follows:

	01/01/ 2019	Additi-ons/ disposals	Write-down	Change in foreign exchange rate	31/12/ 2019
SIMONA Boltaron Inc., USA	23,340	0	0	449	23,789
SIMONA America Industries LLC/ Power Boulevard Inc., USA	2,270	0	0	39	2,309
SIMONA PMC, LLC, USA	4,412	0	0	85	4,497
Other	143	0	0	0	143
	30,165	**0**	**0**	**572**	**30,737**

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 ten years by using the straight-line method. The residual book value of customer relationships resulting from acquisitions is as follows:

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**	

31/12/2018

	Residual book value in € '000	Remaining period of amortisation
SIMONA Boltaron Inc., USA	1,997	2 years
SIMONA America Industries LLC/ Power Boulevard Inc., USA	411	5 years
SIMONA PMC, LLC, USA	2,282	14 years
Total	**4,690**	

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 4 years, subsequently transitioning into perpetuity.

SIMONA Boltaron Inc.

The impairment test of CGU SIMONA Boltaron Inc. comprises the entire division 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 is 5.98 per cent for the forecasting period and 4.18 per cent for the period beyond this. The applicable growth rate subsequent to the end of the forecasting period is 1.8 per cent. A reduction of the EBITDA margin by 0.5 per cent did not result in an impairment of goodwill.

SIMONA PMC, LLC

The impairment test of CGU SIMONA PMC, LLC comprises the entire division 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 is 5.98 per cent for the planning period and 4.18 per cent for the period beyond this. The applicable growth rate subsequent to the end of the forecasting period is 1.8 per cent. A reduction of the EBITDA margin by 0.5 per cent 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 division 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 is 5.98 per cent for the planning period and 4.18 per cent for the period beyond this. The applicable growth rate subsequent to the end of the forecasting period is 1.8 per cent. A reduction of the EBITDA margin by 0.5 per cent did not result in an impairment of goodwill.

31/12/2018

in € '000	**Patents and licences**	**Customer base**	**Goodwill**	**Total**
Balance at 1 January 2018 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	1,633	3,147	24,604	29,384
Additions	304	0	0	304
Additions from business combinations	2,854	2,301	4,304	9,459
Transfer	48	0	0	48
Disposals	0	0	0	0
Depreciation/amortisation during the financial year	–689	–934	0	–1,623
Effects of changes in foreign currency exchange rates	55	176	1,257	1,488
Balance at 31 December 2018 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	**4,205**	**4,690**	**30,165**	**39,060**
Balance at 1 January 2018				
Cost of purchase or conversion	8,837	6,631	25,320	40,788
Accumulated depreciation/ amortisation	–7,204	–3,484	–716	–11,404
Carrying amount	**1,633**	**3,147**	**24,604**	**29,384**
Balance at 31 December 2018				
Cost of purchase or conversion	12,113	9,303	30,881	52,297
Accumulated depreciation/ amortisation	–7,908	–4,613	–716	–13,237
Carrying amount	**4,205**	**4,690**	**30,165**	**39,060**

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[18] PROPERTY, PLANT AND EQUIPMENT

31/12/2019

in € '000	**Land and buildings**	**Plant and 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	–77	–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	384,453
Accumulated depreciation/amortisation and impairments	–44,409	–201,315	0	–245,724
Carrying amount	**44,418**	**78,810**	**15,491**	**138,719**

Prepayments (€7,742 thousand) and assets under construction (€7,747 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.

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31/12/2018

in € '000	**Land and buildings**	**Technical equipment, operating and office equipment**	**Prepayments and assets under construction**	**Total**
Balance at 1 January 2018 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	41,448	65,240	7,751	114,439
Additions	90	842	15,969	16,901
Additions from business combinations	3,797	6,761	262	10,820
Transfer	485	12,814	–13,347	–48
Reclassification to disposal group classified as held for sale				
Disposals	–8	–2,317	–408	–2,733
Depreciation/amortisation during the financial year	–2,178	–11,335	0	–13,513
Transfer amortisation	0	0	0	0
Effects of changes in foreign currency exchange rates	551	2,561	91	3,203
Balance at 31 December 2018 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	**44,185**	**74,565**	**10,318**	**129,069**
Balance at 1 January 2018				
Cost of purchase or conversion	81,252	247,491	7,751	336,494
Accumulated depreciation/amortisation and impairments	–39,804	–182,251	0	–222,055
Carrying amount	**41,448**	**65,240**	**7,751**	**114,439**
Balance at 31 December 2018				
Cost of purchase or conversion	86,211	268,151	10,318	364,680
Accumulated depreciation/amortisation and impairments	–42,026	–193,586	0	–235,611
Carrying amount	**44,185**	**74,565**	**10,318**	**129,069**

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

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[19] INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

This item includes the entities accounted for as associates. The investment carrying amount in respect of CARTIERWILSON, LLC, which sells products of the US subsidiaries in the United States on a commission/agency basis in its capacity as a sales representative, was €977 thousand (previous year: €717 thousand). The investment carrying amount in respect of Sandusky Technologies LLC, was €165 thousand (previous year: €232 thousand). The company operates in the area of plastics thermoforming. The profit from investments accounted for using the equity method was €261 thousand (previous year: €413 thousand) in total.

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

[20] INVENTORIES

in € '000	31/12/2019	31/12/2018
Raw materials and consumables used	34,001	33,987
Work in progress	766	737
Finished goods and merchandise	54,687	56,533
Prepayment for inventories	201	1,098
	89,655	**92,355**

The amount relating to inventory impairments recognised in cost of material rose by €1,502 thousand year on year to €9,177 thousand in the period under review; of this amount, write-downs relating to the net realisable value of finished goods totalled €276 thousand (previous year: €656 thousand).

[21] 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	31/12/2019	31/12/2018
Gross carrying amount	**62,012**	**66,467**
Of which past due within the following time ranges		
Not overdue	52,811	57,029
up to 30 days	4,624	5,995
between 31 and 60 days	2,160	1,331
between 61 and 90 days	713	467
more than 91 days	1,704	1,645

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

in € '000	2019	2018
1 January	2,450	2,426
Amounts restated retrospectively above the opening balance of revenue reserves	0	483
Exchange differences	17	-83
Increase in impairment in financial year (recognised in profit and loss)	90	229
Written off as uncollectible	–147	–291
Not used and reversed	–100	–314
31 December	**2,310**	**2,450**
Net carrying amount	**59,702**	**64,017**

EXPECTED LOSS RATES

in per cent	31/12/2019	31/12/2018
Country risks	0,0–22,4	0,0–22,4
Industry risks	0,45–3,0	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	2019	2018
Expenses attributable to the derecognition of trade receivables	296	171
Income attributable to amounts received in connection with derecognised trade receivables	23	20

[22] OTHER ASSETS AND TAX ASSETS

in € '000	31/12/2019	31/12/2018
Receivables from value-added tax	1,895	3,567
Prepayments	270	250
Advance payments for future periods	690	1,071
Receivables from energy tax	1,252	646
Other receivables	1,643	874
	5,749	**6,408**

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

Tax assets amount to €4,607 thousand (previous year: €4,235 thousand) and are attributable primarily to Europe and the Americas segment.

[23] CASH AND CASH EQUIVALENTS

in € '000	31/12/2019	31/12/2018
Bank balances and cash on hand	68,399	52,483
	68,399	**52,483**

Bank balances bear interest on the basis of floating interest rates applicable to deposits payable on demand. No restraints on use are known apart from the local statutory restrictions applicable to the subsidiaries in China. At the end of the reporting period cash attributable to the Chinese entities amounted to €2,923 thousand (previous year: €1,429 thousand).

At the end of the year, the Group had undrawn borrowing facilities of €18,975 thousand (previous year: €16,975 thousand).

[24] 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.

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in € '000	31/12/2019	31/12/2018
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	31/12/2019	31/12/2018
Share premium from the issuance of stock	15,274	15,274
Capital reserves	**15,274**	**15,274**

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

Other reserves

in € '000	31/12/2019	31/12/2018
Currency translation effects	11,206	8,956
Other reserves	**11,206**	**8,956**

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

in € '000	31/12/2019	31/12/2018
Exchange differences on translating financial statements of subsidiaries	1,843	2,858
Exchange differences on translating net investments	539	589
Exchange differences on translating foreign operations	**2,382**	**3,447**
Deferred taxes from currency translation	–132	–169
Exchange differences	**2,250**	**3,278**

Non-controlling interests

This item relates solely 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. There are no restraints in place as regards the right of SIMONA AG to access or use assets of this subsidiary and to meet contractual obligations. Revenue generated by this entity amounted to €3,077 thousand in the period under review (previous year: €3,055 thousand). The total payment made in the financial year under review amounted to €40 thousand (previous year: €41 thousand). The company's balance sheet total stands at €1,330 thousand and is mainly composed of current assets (€1,314 thousand) and current liabilities (€420 thousand).

[25] FINANCIAL LIABILITIES

Financial liabilities are comprised of the following items:

in € '000	Due date	31/12/2019	31/12/2018
Non-current financial liabilities			
Pro-rata bank loan of €26,229 thousand (nominal amount), principal repayments due after 31/12/2020	2021–2024	11,855	15,280
		11,855	**15,280**
Current financial liabilities			
Pro-rata bank loan of €26,229 thousand (nominal amount), principal repayments due up to 31/12/2020	01/2020–12/2020	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 Over Night Index Average), had not been utilised at the end of the year.

Other financial liabilities comprise the following items:

in € '000	Due date	31/12/2019	31/12/2018
Non-current other financial liabilities			
Other	Immediately	644	59
		644	**59**
Current other financial liabilities			
Accounts receivable with credit balances	Immediately	2,412	2,119
		2,412	**2,119**

[26] 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, including members and 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 underlying expert opinions were prepared on 10 January 2020.

With the exception of payments to SIMONA Sozialwerk GmbH, no contributions are made to funds, cf. Note [27].

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	31/12/2019	31/12/2018
DBO at beginning of reporting period	60,512	65,424
Service cost	1,418	1,722
Interest cost	1,131	1,161
Remeasurement actuarial gains/losses	8,284	–6,255
due to changes in financial assumptions	11,690	–1,121
due to changes in demographic assumptions	0	–5,214
due to changes in the entitlement base	–3,406	80
Benefits paid	–1,627	–1,540
DBO at end of reporting period	**69,718**	**60,512**
of which non-current liability	67,930	58,857
of which current liability	1,788	1,655

The Group anticipates benefit payments of €1,788 thousand (previous year: €1,655 thousand) in connection with defined benefit pension plans for the 2020 financial year.

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

Parameters	31/12/2019	31/12/2018
Discount rate	0.91 %	1.90 %
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 2019 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 31/12/2019 in € '000 (previous year)	
Parameters	**Increase**	**Decrease**
Discount rate	–6,313 (–5,165)	7,310 (5,934)
Salary increase	972 (1,168)	–914 (–1,108)
Pension increase	5,266 (4,212)	–4,726 (–3,803)

The decline in mortality rates by 10% results in an increase in life expectancy dependent on the individual ages of each participant. The DBO as at 31 December 2019 would increase by €2,738 thousand (previous year: €2,135 thousand) following a reduction in the mortality rate by 10% and would decrease by €–2,406 thousand (previous year: €–1,893 thousand) following a 10% increase in the mortality rate.

The weighted average duration of the DBO attributable to defined benefit pension plans is 19.2 years (previous year: 18.3 years).

As regards the internal multifinanced defined contribution plan, the total expense for SIMONA AG was €30 thousand (previous year: €31 thousand) in the period under review.

[27] 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	31/12/2019	31/12/2018
DBO at beginning of reporting period	87,428	80,312
Service cost	2,955	2,853
Interest cost	1,645	1,431
Remeasurement actuarial gains/losses	19,819	4,226
due to changes in financial assumptions	21,883	–1,925
due to changes in demographic assumptions	0	5,003
due to changes in the entitlement base	–2,064	1,148
Benefits paid	–1,444	–1,394
DBO at end of reporting period	**110,403**	**87,428**
Fair value of plan assets at the beginning of the year	41,922	46,566
Returns on plan assets	783	826
Remeasurement	921	–4,076
Benefits paid	–1,444	–1,394
Fair value of plan assets at the end of the year	42,183	41,922
Deficit	**–68,220**	**–45,506**

The Group anticipates benefit payments of €1,598 thousand (previous year: €1,574 thousand) in connection with indirect defined benefit pension plans for the 2020 financial year.

As regards the basic assumptions for determining the pension obligations, please refer to the details in Note [26].

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 2019 is attributable primarily to the remeasurement of the DBO implemented due to the changes in financial assumptions.

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 2019 would increase or decrease the DBO as follows (cf. also Note [26]):

	Change in DBO if parameters are changed by half a percentage point as at 31/12/2019 in € '000 (prev. year)	
Parameters	**Increase**	**Decrease**
Discount rate	–11,913 (–8,780)	14,049 (10,263)
Salary increase	4,387 (3,239)	–4,009 (–2,971)
Pension increase	8,368 (6,173)	–7,567 (–5,605)

The decline in mortality rates by 10% results in an increase in life expectancy dependent on the individual ages of each participant. The DBO as at 31 December 2019 would increase by €4,520 thousand (previous year: €3,214 thousand) following a reduction in the mortality rate by 10% and would decrease by €-3,989 thousand (previous year: €–2,861 thousand) following a 10% increase in the mortality rate.

The composition of plan assets is presented below:

FAIR VALUE AT

in € '000	31/12/2019	31/12/2018
Category of assets		
Shares in SIMONA AG	29,880	29,400
Bonded loans (Schuldscheindarlehen)	0	2,929
Time deposits	2,814	2,743
Investment funds	7,362	5,774
Cash and cash equivalents	2,127	1,076
Total plan assets	**42,183**	**41,922**

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 23.1 years (previous year: 21.6 years).

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

in € '000	31/12/2019	31/12/2018
Liability at beginning of reporting period	45,506	33,746
Service cost	2,955	2,853
Net interest expense	862	606
Remeasurement actuarial gains/losses	19,819	4,226
due to changes in financial assumptions	21,883	–1,925
due to changes in demographic assumptions	0	5,003
due to changes in the entitlement base	–2,064	1,148
Remeasurement from plan assets	–923	4,075
Liability at end of reporting period	**68,220**	**45,506**

[28] OTHER PROVISIONS

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**

in € '000	Personnel-related obligations	Guarantees/warranties	Other	Total
Balance at 1 January 2018	**1,055**	**3,991**	**344**	**5,390**
Allocated	214	121	298	633
Used	33	0	0	33
Reversed	0	187	0	187
Exchange differences	0	66	16	82
Effect of time value of money	15	6	0	20
Reclassified to other balance sheet items	0	–55	–376	–430
Balance at 31 December 2018	**1,251**	**3,942**	**282**	**5,475**
Current provisions	295	1,724	14	2,034
Non-current provisions	956	2,218	268	3,441
Balance at 31 December 2018	**1,251**	**3,942**	**282**	**5,475**

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 5 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 5 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.

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[29] OTHER LIABILITIES

Other liabilities comprise the following items:

in € '000	31/12/2019	31/12/2018
Payables to workforce	9,007	9,416
Payables relating to social security	1,400	1,243
Liabilities relating to credit notes and commissions	1,287	1,405
Tax payables	717	685
Other	6,458	2,968
	18,868	**15,717**

The increase in miscellaneous other liabilities mainly results from increased obligations associated with complaints.

[30] 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	31/12/2019	31/12/2018
Cash and cash equivalents	68,399	52,483
	68,399	**52,483**

The effects of changes to cash and cash equivalents attributable to exchange rates were €401 thousand (previous year: €382 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.

[31] 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, (since 15 August 2019)
- Wolfgang Moyses, Chairman of the Management Board, Kirn (until 14 August 2019, member of the Management Board until 30 September 2019)
- Dirk Möller, Deputy Chairman of the Management Board, Kirn (until 30 June 2019)
- Dr. Jochen Hauck, Mainz (since 1 January 2019)
- Michael Schmitz, Sprendlingen (since 15 August 2019)

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,
  Managing Director of ROSSMANN CENTRAL EUROPE B.V., Renswoude/Netherlands
  Deputy Chairman of the Supervisory Board
  Member of the Supervisory Board of GBK Beteiligungen AG, Hannover
  Member of the Supervisory Board of Hannover 96 GmbH & Co. KGaA, Hannover
  Member of the Advisory Board of Deutsche Bank AG, Region Nord (until 31 December 2019)
- 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

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

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 €3,792 thousand (previous year: €3,946 thousand) were transacted between SIMONA AG and the entities of the Ensinger Group.

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

Receivables from related parties relate to trade receivables from the Ensinger Group totalling €597 thousand (previous year: €792 thousand).

Payables to related parties consist of compensation to Supervisory Board members of SIMONA AG and amount to €145 thousand in the period under review (previous year: €140 thousand). There are no other outstanding balances or obligations towards related parties.

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

Business relationships exist with associates on a commission/agency basis in respect of the sale of products in the United States; this business totals €3,447 thousand (previous year: €3,133 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	2019	2018
Short-term benefits		
Fixed salary and fringe benefits	1,140	890
Annual bonus	959	1,064
	2,099	**1,954**
Other long-term benefits	1,146	781
Total compensation	**3,245**	**2,735**

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

in € '000	2019	2018
Fixed compensation		
Fixed salary and fringe benefits	1,140	890
Variable compensation		
Annual bonus	959	1,064
Long-term incentive programme	958	600
Total compensation	**3,057**	**2,554**

The variable component of Management Board compensation is based on earnings performance within the Group and a long-term incentive programme. It uses average Group NOPAT (net operating profit after taxes) as the key performance indicator, calculated on the basis of a three-year performance period. The first performance period of the current long-term incentive programme encompasses the financial years 2016-2018, the second performance period comprises the financial years 2017-2019 and the third performance period relates to the financial years 2018-2020. 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 €17,393 thousand (previous year: €15,846 thousand) have been provisioned for active members of the Management Board, former members of the Management Board and their surviving dependants. The allocation to provisions for active members of the Management Board was €0 thousand (previous year: €-685 thousand). 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 €17,393 thousand (previous year: €5,575 thousand).

Compensation of former Management Board members and their surviving dependants amounted to €304 thousand (previous year: €301 thousand).

Supervisory Board compensation for the financial year under review amounted to €156 thousand (previous year: €162 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.

[32] 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 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)**

If, as at 31 December 2018, the euro had appreciated (depreciated) by 10 per cent against all other currencies, earnings before taxes would have been €3,538 thousand lower (€4,324 thousand higher). The hypothetical effect on profit of minus €3,538 thousand (plus €4,324 thousand) is attributable to the following sensitivity to exchange rates:

in € '000	Effect on profit before taxes	
EUR/USD	–913	(1,115)
EUR/GBP	–146	(178)
EUR/CHF	–416	(508)
EUR/CZK	535	(–654)
EUR/PLN	–104	(128)
EUR/HKD	–752	(919)
EUR/CNY	–1,403	(1,715)
EUR/RUB	–135	(165)
EUR/INR	–200	(244)
EUR/SGD	–4	(5)
	–3,538	**(4,324)**

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.

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 €2,052 thousand (previous year: €2,103 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 €68.4 million (previous year: €52.5 million), the SIMONA Group has undrawn borrowing facilities of €19.0 million (previous year: €17.0 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	31/12/2019	31/12/2018
A1	8,213	3,801
A2	4,363	1,762
Aa2	8,285	5,948
Aa3	6,627	15,654
Baa3	22,758	11,511
No rating	18,153	13,807
	68,399	**52,483**

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	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**

in € '000	Up to 1 year	2–5 years	More than 5 years	Total
Financial liabilities	3,425	13,700	1,580	18,705
Other financial liabilities	2,119	59	0	2,178
Trade payables	20,987	0	0	20,987
Financial liabilities 31/12/2018	**26,531**	**13,759**	**1,580**	**41,870**

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 2019, the equity ratio was 50 per cent (previous year: 55 per cent). The level of debt stood at 95 per cent (previous year: 77 per cent).

[33] 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		31/12/2019	31/12/2018	31/12/2019	31/12/2018
Non-current financial assets	Financial assets	340	340	340	340
	Investments accounted for using the equity method	1,143	949	1,143	949
Current financial assets	Trade receivables	59,702	64,017	59,702	64,017
	Other financial assets	2,036	1,406	2,036	1,406
	Cash and cash equivalents	68,399	52,483	68,399	52,483
Non-current financial liabilities and other financial liabilities	Loans	-11,855	-15,280	-11,855	-15,280
	Other financial liabilities	-644	-59	-644	-59
Current financial liabilities and other financial liabilities	Loans	-3,425	-3,425	-3,425	-3,425
	Trade payables	-18,738	-20,987	-18,738	-20,987
	Other current financial liabilities	-2,412	-2,119	-2,412	-2,119
Total by measurement category	AC – Amortised Cost assets	131,620	119,194	131,620	119,194
	AC – Amortised Cost liabilities	-37,074	-41,870	-37,074	-41,870

Notes to Consolidated Financial Statements

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.

NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

in € '000	Interest	Fair value	Currency translation	Impairment loss/Disposal	Total 2019
AC	-97	0	-22	-574	-693

in € '000	Interest	Fair Value	Currency translation	Impairment loss/Disposal	Total 2018
AC	-117	0	76	-185	-225

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.

[34] 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. (formerly SIMONA AMERICA Inc.), Archbald, USA	100.0
Power Boulevard Inc. (formerly Laminations Inc.), Archbald, USA	100.0
SIMONA Boltaron Inc. (formerly Boltaron Inc.), Newcomerstown, USA	100.0
DANOH, LLC, Akron, USA	100.0
SIMONA PMC, LLC, Findlay, USA	100.0
Industrial Drive Inc. (formerly SIMONA PMC Acquisition Inc.), Archbald, 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
OOO SIMONA RUS, Moscow, Russian Federation	100.0
SIMONA INDIA PRIVATE LIMITED, Mumbai, India	100.0
SIMONA ASIA PACIFIC PTE. LTD., Singapore, Singapore	100.0

The scope of consolidation remained unchanged in the year under review. 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 31/12/2018	Profit/loss 2018
	%	€ '000	€ '000
SIMONA Sozialwerk GmbH, Kirn, Germany	50.0	12,192	175
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn, Germany	50.0	1,489	624

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.

Average number of staff employed during the financial year:

GROUP

	2019	2018
Industrial staff	852	803
Clerical staff	518	524
Employees	**1,370**	**1,327**
School-leavers (apprentices)	60	60
Total number of employees	**1,430**	**1,387**

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	31/12/2019	31/12/2018
Investment projects	9,417	14,318
Raw material orders	13,187	12,078
	22,605	**26,396**

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 2019 on 24 February 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.

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

As at 7 June 2019 (date of the Annual General Meeting of Shareholders) the members of the Management Board reported a total holding of 70,860 shares; this corresponds to approx. 11.81 per cent of the share capital of SIMONA AG.

As at 7 June 2019 (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

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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 €469 thousand. These fees were attributable to the following items: year-end audit services €425 thousand, tax consulting €21 thousand and other confirmation services €23 thousand. Tax consultancy services provided by our independent auditor encompass the preparation of tax returns and the tax treatment of specific circumstances. The other confirmation services relate to reviews conducted in accordance with the German Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz – EEG).

Events after the reporting period

Until recently, short-term economic factors appeared to be stabilising at a low level and medium-term structural factors, in particular industrial investment, which is important for business, were also expected to improve slightly due to the sluggish but gradual recovery of the global economy. However, leading economic research institutes currently expect a recession for Germany as well as for key international markets due to the corona crisis. The effects of this cannot be reliably predicted at present. In our assessment, the Group's overall risk situation at the end of the 2019 financial year is essentially unchanged compared with the previous year, although it should be noted that the corona crisis may have a significant impact that cannot be reliably predicted at present.

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, 30 March 2020
SIMONA Aktiengesellschaft
The Management Board

Matthias Schönberg   Dr. Jochen Hauck   Michael Schmitz

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Based on the results of our audit, we issued the following unqualified audit opinion dated 30 March 2020:

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 2019, 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 2019 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 2019. 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 2019 and of its results of operations for the financial year from 1 January to 31 December 2019, 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 prohib-

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ited 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 2019. 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:

- Recoverability of goodwill
- Provisions for pensions

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

- Matter and issue
- Audit approach and findings
- Reference to further information

Hereinafter we present the key audit matters:

Recoverability of goodwill

- Goodwill totalling €30.7 million (representing 7.1% of total assets and 14.2% 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.

- 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

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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.

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

Provisions for pensions

- In the Company's consolidated financial statements the item "Provisions for pensions" includes pension provisions totalling €137.9 million (32.1% of the consolidated balance sheet total). The pension provisions comprise obligations from defined benefit pension plans amounting to €180.1 million less plan assets of €42.2 million. The obligations from defined benefit pension plans were measured using the projected unit credit method. This requires, in particular, assumptions with regard to long-term salary and pension trends, average life expectancy and staff turnover rates. The discount rate must be determined by reference to market yields on high-quality corporate bonds with matching currencies and consistent maturities. This usually requires the data to be extrapolated, as there is an insufficient number of long-term corporate bonds. The plan assets are measured at fair value. In our view, these matters were of particular significance in the context of our audit, as the recognition and measurement of this large-scale item are dependent to a considerable extent on estimates and assumptions made by the Legal Representatives of the Company.

- As part of our audit, we reviewed the actuarial reports prepared by external parties at the request of the Company and assessed the professional qualifications of these external experts. In addition, we focused, among other aspects, on the specifics of the actuarial calculations and assessed the numerical data, the actuarial parameters and the method of valuation applied to the measurement for the purpose of evaluating their conformity with standards and their appropriateness. In addition, we analysed the changes in the obligation and the cost components in accordance with actuarial expert reports in the light of changes occurring in the valuation parameters and the numerical data, and verified their plausibility. For the purposes of our audit of the fair value of plan assets, we obtained bank confirmations and securities account statements as at the end of the reporting period. 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 are substantiated and sufficiently documented.

- The disclosures by the Company in respect of pension provisions have been included under points 26 and 27 of the notes to the consolidated financial statements.

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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.

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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

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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.

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OTHER LEGAL AND REGULATORY REQUIREMENTS

Other disclosures pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor at the annual general meeting held on 7 June 2019. We were engaged by the Supervisory Board on 18 September 2019. 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 Christian Kwasni.

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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, 30 March 2020
SIMONA Aktiengesellschaft
The Management Board

Matthias Schönberg Dr. Jochen Hauck Michael Schmitz

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- Ingmar Solissa (Page 31)

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Financial Calendar 2020

2020	
28 April	Annual Press Conference
	SIMONA Group Consolidated Financial Statements and Financial Statements of SIMONA AG for FY 2019
	Press Release on the First Quarter of 2020
05 June	Virtual Annual General Meeting 2020
05 August	Group Interim Report for the First Half of 2020
23 October	Press Release on the Third Quarter of 2020

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SIMONA worldwide
Global Thermoplastic Solutions