



RKW SE

Mannheim

Befreiender Konzernabschluss zum Geschäftsjahr vom 01.01.2023 bis zum 31.12.2023

RKW Holding S.a r.l.

Luxembourg / Luxembourg

Consolidated Financial Statements as of and for the fiscal year ended December 31, 2023 including the report "Réviseur d'entreprises agréé"

RKW Holding S.à r.l.

Luxembourg

R.C.S. Luxembourg: B238507

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of RKW Holding S.à r.l. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.



In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the consolidated management report but does not include the consolidated financial statements and our report of the "réviseur d'entreprises agréé" thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the réviseur d'entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 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 the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers.
- Conclude on the appropriateness of the Board of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". 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 achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

Report on other legal and regulatory requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 2 July 2024

KPMG Audit S.à r.l. Cabinet de révision agréé

Yves Thorn

Consolidated Statement of Profit or Loss of RKW Holding S.à r.l., Luxembourg for 2023 and 2022

		2023	2022
		in k EUR	in TEUR
Sales	[7.1]	799.784	998.563
Change in finished goods and work in process		-17.545	-12.506
Other operating income*	[7.2]	20.228	7.162
Cost of materials			
Cost of raw materials, supplies and purchased merchandise	[7.3]	-486.843	-656.438
Cost of services	[7.3]	-4.415	-6.997
Gross result		311.209	329.784
Personnel expenses			
Wages and salaries	[7.4]	-141.783	-141.747
Social security, pension cost and other benefit contributions	[7.4]	-32.605	-33.756
Depreciation and amortisation	[7.5]	-72.279	-72.330
Other operating expenses*	[7.6]	-108.514	-133.519
Operating result		-43.972	-51.568
Financial income*	[7.7]	7.937	5.421
Financial expenses*	[7.7]	-24.536	-11.003
Group result before taxes		-60.571	-57.150
Current taxes on income	[7.8]	-556	-7.427
Deferred taxes	[7.8]	1.500	1.078
Group result		-59.628	-63.499
Thereof attributable to:			
Shareholders of the parent		-56.566	-60.459
Minority interest		-3.061	-3.039
		-59.628	-63.499

* YE 2022 adjusted due to reclassifications of foreign exchange effects from other income/ expense to financial result beginning in 2023 with an income amount of €1,079 thousand transferred.

For 2022 the operating result changes from €-50,488 thousand (audited) to €-51,568 thousand.

Consolidated Statement of Comprehensive Income RKW Holding S.à r.l ., Luxembourg for the business years 2023 and 2022

	2023	2022
	in k EUR	in k EUR
Group Result	-59,628	-63,499
Items which will be reclassified subsequently to profit or loss when specific conditions are met		
Net exchange adjustments on foreign currency translation	2,964	-1,419
Cashflow Hedges	-1,544	2,314
Movement of taxes on income and expenses recognised directly in equity	454	-604
	1,874	291
Items which will not be reclassified subsequently to profit or loss		
Actuarial gains and losses from defined benefit plans and similar obligations	-2,581	21,781
Movement of taxes on income and expenses recognised directly in equity	448	-5,445
	-2,132	16,335
Other comprehensive income	[8.14] -258	16,627
Capital decrease in minority interests	-15	-989
Total comprehensive income	-59,900	-47,862
Thereof attributable to:		
Shareholders of the parent	-56,824	-45,734
Minority interest	-3,076	-2,128
	-59,900	-47,862

Consolidated Balance Sheet of RKW Holding S.à r.l ., Luxembourg as at 31 December 2023

	Notes	in k EUR	31.12.2023	31.12.2022
			in k EUR	in k EUR
Non-current assets				
Intangible assets	[8.1]	32,659		47,846
Tangible assets	[8.2]	204,196		223,886
Financial assets	[8.3]	43		43



			31.12.2023	31.12.2022
	Notes	in k EUR	in k EUR	in k EUR
			236,898	271,776
Other financial assets	[8.4]	913		940
Other non-current assets	[8.5]	60		58
Deferred tax assets	[8.6]	21,832		22,319
			259,702	295,092
Current assets				
Inventory	[8.7]	120,557		146,734
Trade receivables	[8.8]	82,475		125,793
Receivables - income tax	[8.9]	3,318		2,169
Other financial assets	[8.10]	2,775		3,306
Other receivables and assets	[8.11]	23,189		18,564
Cash and cash equivalents	[8.12]	59,978		77,118
			292,292	373,683
Non-current assets held for sale	[8.13]		35	7,390
TOTAL ASSETS			552,029	676,166
			31.12.2023	31.12.2022
	Notes	in k EUR	in k EUR	in k EUR
Equity				
Equity	[8.14]			
Subscribed capital		25		25
Capital reserves		261,555		261,555
Revenue reserves		88		88
Other changes in equity		20,815		21,073
Retained earnings		-153,675		-97,109
Equity			128,807	185,632
Non-controlling interests			6,041	9,117
Equity including non-controlling interests			134,848	194,749
Non-current liabilities				
Liabilities to shareholders	[8.15]	1,889		1,829
Pension accruals	[8.16]	63,395		60,224
Other provisions	[8.17]	6,246		6,867
Liabilities to banks	[8.18]	90,479		132,199

	Notes	in k EUR	31.12.2023 in k EUR	31.12.2022 in k EUR
Other financial liabilities	[8.19]	18,071		19,324
Other liabilities	[8.20]	527		735
Deferred tax liabilities	[8.21]	41,640		44,606
			222,247	265,784
Current liabilities				
Other provisions	[8.22]	7,636		5,553
Liabilities to shareholders	[8.23]	165		48
Liabilities to banks	[8.24]	41,571		67,359
Other financial liabilities	[8.25]	13,264		14,215
Trade payables	[8.26]	108,210		104,118
Liabilities - income tax	[8.27]	1,672		4,500
Other liabilities	[8.28]	22,416		19,839
			194,933	215,633
TOTAL LIABILITIES			552,029	676,166

Consolidated Statement of Changes in Equity RKW Holding S.à r.l., Luxembourg for the business years 2023 and 2022
Attributable to the owners of the parent company

in k EUR	Subscribed capital	Capital reserves	Revenue reserves	Other changes in equity
01/01/2022	25	241,576	61	4,461
Changes in the scope of consolidated financial statements			5	-15
Changes in reserves		19,979	21	
Total comprehensive income				16,627
Dividend				
12/31/2022	25	261,555	88	21,073
Total comprehensive income				-258
12/31/2023	25	261,555	88	20,815
in k EUR	Retained earnings	Equity	Non- controlling interest	Total group equity
01/01/2022	-36,650	209,475	11,245	220,720



in k EUR	Retained earnings	Equity	Non- controlling interest	Total group equity
Changes in the scope of consolidated financial statements		-10		-10
Changes in reserves		20,000		20,000
Total comprehensive income	-60,459	-43,833	-2,128	-45,960
Dividend				
12/31/2022	-97,109	185,632	9,117	194,749
Total comprehensive income	-56,566	-56,824	-3,076	-59,900
12/31/2023	-153,675	128,807	6,041	134,848

Consolidated Cashflow Statement RKW Holding S.a.r.l., Luxembourg for the business years 2023 and 2022

	Jan-Dec 2023	Jan-Dec 2022
	in k EUR	in k EUR
Group result	-59,628	-63,499
Depreciation and amortisation on tangible and intangible assets - net	72,279	72,330
Depreciation on divestments - net	0	0
Increase (Decrease) of non-current provisions and liabilities	-285	1,341
Decrease (Increase) deferred tax assets	1,304	-5,307
Increase (Decrease) deferred tax liabilities	-2,591	5,248
Other non-cash income and expense	-4,214	-4,103
Exchange rate related changes in balance sheet items	1,968	-1,342
Profit/Loss from the disposal of tangible and intangible assets and sale of entities	-5,828	-156
Decrease (Increase) of inventories	27,921	23,317
Decrease (Increase) of trade and intercompany receivables	43,362	25,585
Increase (Decrease) of trade payables	4,834	-28,232
Decrease (Increase) of other assets	-943	-5,297
Increase (Decrease) of other current provisions and liabilities	-1,167	-3,295
Cashflows from operating activities	77,012	16,590
Payments related to investments in intangible assets	-978	-256
Payments related to investments in tangible assets	-36,323	-52,018
Payments received related to divestments	0	5,229
Proceeds from the disposal of tangible and intangible assets	7,322	299
Cashflows from investing activities	-29,980	-46,746

	Jan-Dec 2023	Jan-Dec 2022
	in k EUR	in k EUR
Capital increase	0	20,000
Proceeds from the addition to liabilities to banks	14,112	72,647
Repayments of liabilities to banks	-77,761	-65,292
Cashflows from financing activities	-63,649	27,354
Net changes in cash and cash equivalents	-16,617	-2,802
Effects on cash and cash equivalents from foreign exchange rates	-523	314
Cash and cash equivalents at the beginning of the year	77,118	79,605
Cash and cash equivalents at the end of the year	59,978	77,118
Composition of cash and cash equivalents as of December 31:		
Cash and cash equivalents according to the consolidated balance sheet	59,978	77,118
Cash and cash equivalents at the end of the year	59,978	76,564

Notes to the consolidated financial statements of RKW Holding S.à r.l. for the 2023 financial year

[1] GENERAL INFORMATION

RKW Holding S.à r.l. (hereafter referred to as "RKW Holding"), with its registered office in L-1720 Luxembourg, 4 Rue Heinrich Heine, was founded on September 20, 2019 as a Société à responsabilité limitée and entered in the commercial register in Luxembourg on October 21, 2019 under number B 238507.

With effect from October 1, 2019, RKW Holding S.à r.l. acquired 94.8% of the shares and voting rights in RKW SE, thereby gaining control over RKW SE and its subsidiaries. Until the aforementioned acquisition, RKW SE was the parent company of the RKW Group, one of Europe's leading manufacturers of high-quality plastic films, nonwovens and nets. The main business activity of RKW Holding S.à r.l. is to hold the investment and to own, manage, develop and control its portfolio.

RKW Holding S.à r.l. prepares the consolidated financial statements for the smallest and at the same time largest group of companies to which RKW SE belongs as a subsidiary. The consolidated financial statements of RKW Holding S.à r.l. are published in English at the Luxembourg "Registre des Commerce et des Sociétés".

The company RKW SE, Mannheim, Germany, is exempt from the obligation to fulfill the supplementary accounting, auditing and disclosure requirements applicable to certain companies in accordance with Section 264b HGB and Section 264 (3) HGB (German accounting principles) and RKW Agri GmbH & Co. KG based in Mannheim, entered in the Mannheim commercial register.

The consolidated financial statements of RKW Holding S.à r.l. for the reporting period were prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations (IFRIC and SIC) of the International Accounting Standard Board (IASB), London, United Kingdom, as applicable in the European Union. All mandatory pronouncements of the IASB have been observed.

There were no significant changes to the accounting and valuation methods compared to the previous year, except the presentation of currency effects. In 2023 the translation of foreign currencies and currency derivatives are stated in the financial result to meet a better true and fair view. In the previous year these currency effects were stated in other income and other expense:

Notes to the consolidated financial statements of RKW Holding S.à r.l. for the 2023 financial year

in k EUR	2022 restated	2022 audited
Other operating income	7,162	11,355
thereof exchange rate gains	0	3,643
thereof income from currency derivatives	0	549

in k EUR	2022 restated	2022 audited
Other operating expenses	-133,519	-136,632
thereof exchange rate loss	0	-3,090
thereof losses from currency derivatives	0	-23
Financial result	-5,582	-6,662
thereof exchange rate gains	3,643	0
thereof income from currency derivatives	549	0
thereof exchange rate loss	-3,090	0
thereof losses from currency derivatives	-23	0

IFRS that have not yet been recognised by the European Union have not been taken into account in the consolidated financial statements of RKW Holding S.à r.l.

The consolidated financial statements are drawn up in euros. Unless otherwise stated, all amounts are stated in thousands of euros (k EUR or € thousand). The preparation of the consolidated financial statements in € thousand may result in rounding differences, as the calculation of the underlying individual items is based on figures in euros.

The consolidated financial statements consist of the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and explanatory notes. Individual items in the income statement and balance sheet have been summarised to improve clarity and informative value. These items are shown and explained separately in the explanatory notes. The income statement has been prepared using the total expenditure format. The consolidated balance sheet was prepared under the going concern assumption, i.e. the Executive Board is not aware of any events that would cast doubt on the company's ability to continue as a going concern.

The preparation of the consolidated financial statements requires management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

[2] NEWLY APPLICABLE INTERNATIONAL FINANCIAL REPORTING

STANDARDS AND INTERPRETATIONS

[2.1] STANDARDS AND INTERPRETATIONS

The following standards and interpretations must be applied from the 2023 financial year:

IFRS	Title	Publication by IASB	Date of application	EU-Endorsement
1.2 IFRS 17	Insurance Contracts	May 18, 2017/ June 25, 2020	January 1, 2023	November 19, 2021
1.3 Amendments to IFRS 17	Initial Application of IFRS 17 and IFRS 9 - Comparative Information	December 9, 2021	January 1, 2023	September 8, 2022
1.4 Amendments to IAS 1	Disclosure of Accounting Policies	February 12, 2021	January 1, 2023	March 2, 2022
1.5 Amendments to IAS 8	Definition of Accounting Estimates	February 12, 2021	January 1, 2023	March 2, 2022
1.6 Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	May 7, 2021	January 1, 2023	August 11, 2022
1.7 Amendments to IAS 12	International Tax Reform - Pillar Two Model Rules	May 23, 2023	January 1, 2023	November 8, 2023

The RKW Group falls within the scope of the OECD's Global Anti-Base Erosion (GloBE) Model Rules (Pillar Two). The Pillar Two legislation was enacted both in Luxembourg and in Germany, the jurisdictions in which RKW is domiciled, and will come into force on January 1, 2024. As the Pillar Two legislation was not yet in force at the reporting date, the Group is currently not subject to any tax burden from this legislation.

Under the legislation, RKW is required to pay an additional tax per country in the amount of the difference between the GloBE effective tax rate and a minimum tax rate of 15%. All Group companies are subject to a nominal tax rate of more than 15%. Even if the nominal tax rate is more than 15%, the new legislation could theoretically result in a tax expense due to specific adjustments. RKW is currently assessing the extent to which tax effects will arise in individual countries as a result of the Pillar Two legislation taking effect.

Initial application of the standards listed in the table had no or no material impact on the consolidated financial statements of the RKW Group.

The IASB has published the following standards and interpretations that have already been adopted by the European Union (EU) but are not mandatory for financial statements 2023. The RKW Group has not made use of the option to apply these before their effective date.

IFRS	Title	Publication by IASB	Date of application	EU-Endorsement
2.2 Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	September 22, 2022	January 1, 2024	November 20, 2023
2.3 Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 23, 2020/ July 15, 2020	January 1, 2024	December 19, 2023
2.4 Amendments to IAS 1	Non-current Liabilities with Covenants	October 31, 2022	January 1, 2024	December 19, 2023

As part of various projects, the IASB and the IFRS Interpretations Committee have issued a number of standards and interpretations that are not yet mandatory in the 2023 financial year and have not yet been recognised by the European Union. These will not be applied early and voluntarily in the consolidated financial statements of RKW Holding. The RKW Group currently assumes that this will not have any material impact on the consolidated financial statements.

IFRS	Title	Publication by IASB	Date of application	EU-Endorsement
Amendments to IAS 7 and IFRS 7	Disclosures: Supplier Finance Arrangements	July 17, 2023	January 1, 2024	open
Amendments to IAS 21	Lack of Exchangeability	August 15, 2023	January 1, 2025	open

[3] SCOPE OF CONSOLIDATION

As of December 31, 2023, the RKW Group, including RKW Holding S.à r.l., comprised 23 (previous year: 24) companies, of which 23 (previous year: 23) were fully consolidated in the consolidated financial statements. A subsidiary is included using the full consolidation method from the date on which RKW SE exercises a controlling influence over it. A controlling influence exists when RKW SE has direct or indirect power of disposal over an associated company.

The subsidiaries of RKW Holding included in the consolidated financial statements are shown in the following table:

Name and Location	Share %
RKW SE, Mannheim (Germany)	94.80
RKW Iter S.L., Madrid (Spain)	94.80
RKW Sweden AB, Helsingborg (Sweden)	94.80
RKW Finland Ltd, Pori (Finland)	94.80
RKW France S.A.S., Saultain (France)	94.80
RKW S.F.E. S.A.S., Ville le Marcelet (France)	94.80
RKW Remy S.A.S., Saultain (France)	94.80
RKW Castelletta S.A.S., Saint-Galmier (France)	94.80
RKW Investments Pte. Ltd., Singapore (Singapore)	94.80
RKW Vietnam Ltd., Ho Chi Minh City (Vietnam)	94.80
RKW Vermögensverwaltung GmbH, Mannheim	94.80
RKW Egypt Ltd., 6th of October City (Egypt)	94.80
RKW America LLC, Dover DE (USA)	94.80
RKW US Inc., Rome GA (USA)	94.80
RKW North America, Inc., Franklin KY (USA)	94.80
RKW Hong Kong Investments Limited (Hong Kong)	94.80

Name and Location	Share %
RKW Guangzhou Company, Limited (in liquidation), Guangzhou (China)	94.80
RKW Agri Verwaltungs GmbH, Mannheim	94.80
RKW Agri GmbH & Co. KG, Mannheim	94.80
RKW Hyplast NV, Hoogstraten (Belgium)	94.80
RKW Klerks Inc., Chester (USA)	94.80
RKW Italy S.r.l., Milano (Italy)	94.80

Werra Plastic GmbH, Philippsthal was merged with RKW SE on January 1, 2023.

[4] CONSOLIDATION PRINCIPLES

The financial statements of the domestic and foreign companies included in the consolidation, which are all prepared as at the reporting date of the consolidated financial statements, are prepared using uniform accounting policies.

In accordance with IFRS 3 "Business Combinations", all business combinations must be recognised using the purchase method. Accordingly, the capital consolidation of subsidiaries for the first time is carried out at the time of acquisition by offsetting the acquisition costs against the revalued pro rata net assets of the subsidiaries. As part of the revaluation, all acquired assets, liabilities, contingent liabilities and additional identifiable intangible assets to be capitalised are measured at fair value. Any positive goodwill resulting from the purchase price allocation is capitalised. The provisions of IFRS 3 "Business Combinations" and IAS 36 "Impairment of assets" stipulates that capitalised goodwill is not amortised on a scheduled basis, but rather when impairment is identified. The extent of potential impairment is determined annually as part of impairment tests. Negative goodwill is recognised in the income statement.

Expenses and income as well as receivables and liabilities between the consolidated companies are eliminated. The same applies to mandatory disclosures on contingent liabilities and other financial obligations. Intercompany profits and losses from intercompany deliveries and services are eliminated unless impairments in assets have been recognised due to intercompany losses, deferred tax charges and reliefs from consolidation transactions recognised in profit or loss are taken into account.

[5] CURRENCY CONVERSION

The functional and reporting currency of RKW Holding S.à r.l., Luxembourg, is the euro. All annual financial statements of foreign Group companies prepared in a currency other than the reporting currency are translated in accordance with the functional currency concept set out in IAS 21 "The Effects of Changes in Foreign Exchange Rates". As all subsidiaries are to be regarded as financially, economically and organisationally independent sub-units, the functional currency is the respective national currency, with the exception of RKW Investments Pte. Ltd, Singapore, and RKW Egypt Ltd, Egypt, which report in US dollars, and RKW Sweden AB, Sweden, which reports in euros.

The assets and liabilities of foreign subsidiaries were translated into euros at the average exchange rate on the reporting date and the expenses and income were translated at the average exchange rate for the year in accordance with IAS 21.40. The translation differences resulting from these different exchange rates in the balance sheet and income statement were recognised directly in equity. The exchange rate differences from the translation of equity at historical rates were also recognised directly in equity.

Foreign currency transactions are translated in the individual financial statements of the Group companies using the exchange rates at the time of the transactions. Monetary items in foreign currencies are recognised at the middle rate on the reporting date. The resulting exchange rate gains and losses are recognised in the consolidated income statement. Non-monetary items acquired in foreign currencies are recognised at historical values.

The application IAS 29 "Financial Reporting in Hyperinflationary Economies" was not necessary.

The following exchange rates are based on the exchange rates of the European Central Bank (ECB) and were used for currency translation:

		Closing exchange rate		Average exchange rate	
		(1 EUR =)		(1 EUR =)	
		31.12.2023	31.12.2022	2023	2022
Chinese Renminbi	CNY	7.8509	7.3582	7.6600	7.0783
British Pound	GBP	0.8691	0.8869	0.8698	0.8527
Swedish Krona	SEK	11.0960	11.1218	11.4788	10.6288
Hongkong Dollar	HKD	8.6314	8.3163	8.4649	8.2467
US-Dollars	USD	1.1050	1.0666	1.0813	1.0533

		Closing exchange rate (1 EUR =)		Average exchange rate (1 EUR =)	
		31.12.2023	31.12.2022	2023	2022
Vietnamese Dong	VND	26,883.0000	25,233.0000	25,772.9222	24,636.8677

[6] ACCOUNTING AND VALUATION METHODS

[6.1] REALISATION OF INCOME AND EXPENSES

Revenue mainly comprises the sale of products and, to a lesser extent, rental income. Revenue from the sale of products is recognised in accordance with IFRS 15 depending on the transfer of control. The performance obligation includes in particular the delivery of the goods. The transport service is usually performed at the same time. There are variable purchase price components such as discounts and bonuses, which are recognised as a reduction in revenue. The agreed payment terms usually provide for payment within 30 to 90 days of invoicing. The customer contracts do not contain any significant financing components. Assurance-type warranties are customary in the industry and are only granted to an insignificant extent above the legal requirements; in this respect, they do not constitute separate performance obligations. There are no rights of return.

As a rule, performance obligations are fulfilled at a specific point in time. Revenue from unprinted, noncustomised products is generally recognised at the time at which the customer obtains possession. Due to the insignificant inventories of customer-specific products that cannot be sold to other customers, contract assets are not capitalised in accordance with IFRS 15.35c if there is a customer order and a legal claim to payment for the service already rendered (including margin).

Rental income is recognised on a straight-line basis over the period of the agreement.

Interest income and interest expenses are recognised pro rata temporis using the effective interest method. Operating expenses are recognised in the consolidated income statement when the service is utilised or at the time they are incurred.

[6.2] BORROWING COSTS

In accordance with IAS 23, borrowing costs incurred for the acquisition or production of an asset over a period of more than one year are recognised as part of the cost of the asset. However, this is only done if the asset is likely to generate future benefits, the costs can be reliably estimated and the intention is to bring the asset to a usable and saleable condition. Borrowing costs are capitalised until the asset is ready for use or sale. All other borrowing costs that do not meet the criteria of IAS 23 are recognised in the consolidated income statement in the period in which they are incurred.

[6.3] GOVERNMENT GRANTS

Government grants are generally deducted from the cost of the subsidised assets. Other subsidies or grants are deferred and amortised over the underlying period or the expected useful life of an asset.

In 2023 government grants in Sweden - outside of the Covid-19 programmes - were recognised in the consolidated income statement.

In 2023 Covid-19 programmes in the U.S.A. were utilised with €2.8 million mainly referring to year 2021. The grants received were not subject to any conditions.

[6.4] INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets and property, plant and equipment are amortised resp. depreciated on a straight-line basis over their estimated useful lives. Amortisation resp. depreciation is generally recognised in the consolidated income statement. Intangible assets with an indefinite useful life and goodwill are not amortised.

AMORTISATION AND DEPRECIATION IN YEARS

Software	3-5 years
Concessions, industrial property and similar rights	1-15 years
Customer relations	6-15 years
Technology	3-6 years
Land and buildings	5-40 years
Machinery	4-20 years
Other plant and equipment	3-20 years



The amortisation resp. depreciation methods, useful lives and residual values are reviewed at each reporting date and have not been adjusted in 2023.

Acquired and internally generated intangible assets with a finite useful life are measured at amortised cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with an indefinite useful life (e.g. goodwill, company or brand names) are measured at cost less accumulated impairment losses and tested for impairment once a year and in case of an impairment triggering event.

Property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses. If the useful lives of individual items of property, plant and equipment differ significantly, they are depreciated separately. The cost model is applied rather than the revaluation method. There are no investment properties in accordance with IAS 40 "Investment Property".

In addition to the directly attributable direct costs, the production costs of internally generated assets also include appropriate portions of the material and production overheads as well as the general administrative costs of the areas involved in the construction of the assets. Financing costs are capitalised to the extent that they relate to the period of production.

Impairment

Goodwill with an indefinite useful life is not amortised in accordance with IFRS 3 "Business Combinations", but is tested for impairment annually and whenever there is an indication of impairment. As of 31 December 2023, all goodwills are completely impaired. In addition, property, plant and equipment is subject to an impairment test if there is an indication of impairment (triggering event). If a need for impairment is identified, an impairment loss is recognised. The impairment test is carried out on the basis of cash-generating units (CGUs) by comparing the recoverable amount with the carrying amount. The recoverable amount, in turn, is defined as the higher of fair value or market value less costs to sell and value in use. As the market value is generally not directly derivable and transaction prices for company acquisitions are based on the value in use, the impairment test is also based on the value in use. The value in use of the CGU is estimated on the basis of a forecast of future cash flows that can be generated. At RKW Holding S.a.r.l., the cash-generating units are the Hygiene and Agriculture segments as well as the sub-categories of the Packaging & Industrial segment (Multipack, Household, Industrial Packaging, Industrial Films, Nonwoven and Compound & Other Packaging). In this context segments are understood to mean the categorisation of products according to different markets and are therefore not to be equated with the definition of segments in accordance with IFRS 8. The future cash flows of these business units are forecasted and discounted on the basis of detailed planning for periods up to the 2027 financial year. A growth rate of 1.0% (for the European companies, previous year: 1.0%) and 2.0% (for the US company, previous year: 2.0%) was assumed for the period after the detailed planning period. The forecasts are based on past experience and expectations regarding future market developments.

The calculated gross cash flows were discounted at a weighted average cost of capital after taxes of 7.5% to 7.9% (previous year: 7.4%). If the recoverable amount of a segment calculated in this way is lower than its carrying amount, an impairment loss was recognised on the goodwill allocated to it in the amount of the difference.

Other intangible assets with indefinite useful lives are tested annually for impairment. In addition, impairment tests are carried out for all other assets within the scope of IAS 36 if there are indications of impairment. External indicators include, for example, changes in the customer industries, the technologies used and a downturn in the economy. Reduced product profitability, planned restructuring measures or physical damage to assets are internal indicators of impairment. If the reasons for a recognised impairment loss no longer apply, the impairment loss is reversed for assets with a finite useful life up to the value that would have resulted if no impairment loss had been recognised.

[6.5] LEASES

Leases are recognised and measured in accordance with IFRS 16 "Leases". At the inception of the contract, the Group assesses whether the contract constitutes or contains a lease. This is the case if the contract gives the right to control the use of an identified asset for a certain period of time in return for payment of a fee (right-of-use). In order to assess whether a contract contains the right to control an identified asset, the Group applies the definition of a lease in accordance with IFRS 16.

On the commencement date or when a contract containing a lease component is amended, the Group allocates the contractually agreed consideration on the basis of the relative stand-alone selling prices. For property leases, however, the Group has decided not to separate the non-lease components and instead to recognise lease and non-lease components as a single lease component.

Upon initial recognition, the Group recognises an asset for the right-of-use asset granted and the lease liability. The right-of-use asset is initially capitalised at cost, which corresponds to the initial measurement of the lease liability, adjusted for payments made on or before the commencement date, plus any initial direct costs and the estimated costs of dismantling or removing the underlying asset or restoring the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the initial recognition to the end of the lease term, unless ownership of the underlying asset is transferred to the Group at the end of the lease term or the cost of the right-of-use asset reflects the fact that the Group will exercise a purchase option. In this case, the right-of-use asset is depreciated over the useful life of the underlying asset which is determined in accordance with the regulations for property, plant and equipment. In addition, the right-of-use asset is adjusted on an ongoing basis for impairment losses, if necessary, and for certain remeasurements of the lease liability.

The rights-of-use are recognised in the consolidated balance sheet of the RKW Group under intangible assets and property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments not yet made at the commencement date, discounted at the interest rate implicit in the lease or, if this cannot be readily determined, at the Group's incremental borrowing rate. The RKW Group generally uses its incremental borrowing rate for discounting.

To determine its incremental borrowing rate, the Group considers interest rates from various external financial sources and makes certain adjustments to take into account the lease terms, the regional interest rate level and the type of asset.

In addition to fixed lease payments, the measurement of the lease liability also includes variable lease payments linked to an index or (interest) rate, expected payments based on residual value guarantees, exercise prices of purchase options and lease payments for extension options if their exercise is reasonably certain, as well as penalties for the early termination of leases if the term of the lease is based on the exercise of the right of cancellation. The measurement of the RKW Group's lease liabilities mainly includes fixed lease payments. The lease liability is subsequently measured by increasing the carrying amount by the interest on the lease liability using the effective interest method and reducing the carrying amount by the lease payments made. It is remeasured if the future lease payments change due



to a change in an index or (interest) rate, if the Group adjusts its estimate of the expected payments under a residual value guarantee, or if the Group changes its estimate of the exercise of a purchase, extension or cancellation option. In the event of such a remeasurement of the lease liability, the carrying amount of the right-of-use asset is adjusted accordingly or recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Lease liabilities are recognised in the consolidated balance sheet of the RKW Group under other financial liabilities.

If the lease changes due to significant events or circumstances, this is recognised by derecognising the old lease and re-recognising the amended lease.

The practical expedients granted to lessees by IFRS 16 when applying the standard are applied as follows within the RKW Group:

- Short-term leases with a term of up to 12 months and leases relating to a low-value asset (up to €5 thousand) are recognised as an expense. In these cases, the lease payments are recognised as other operating expenses on a straight-line basis over the term of the lease.
- Non-lease components contained in leases are not separated due to immateriality.

Leases in which the RKW Group is the lessor are classified as finance or operating leases in accordance with the requirements of IFRS 16. In cases where the RKW Group is the lessor, the leases are operating leases. Rental income is recognised on a straight-line basis over the term of the lease.

[6.6] FINANCIAL ASSETS

In accordance with IFRS 9 B5.2.3, other investments are generally capitalised at cost, as there are no active markets for these companies and there is insufficient recent information available to determine the fair value. The acquisition costs therefore represent the best estimate of the fair value. Lower fair values are recognised if there are indications of impairment.

[6.7] INVENTORIES

Inventories are recognised at their cost of acquisition or production or at their net realisable value, whichever is lower. In addition to direct costs, production costs include a proportionate share of material and production overheads, including production-related depreciation directly attributable to the production process. Administrative and social costs are capitalised if they are attributable to production. Inventory risks resulting from storage periods, reduced usability or similar circumstances are recognised through write-downs. If the reasons that led to a write-down of inventories no longer exist, the write-down is reversed. Raw materials and supplies are generally valued using the average cost method. Finished goods inventories are written down from the carrying amount to the lower net realisable value if necessary.

In the financial year, the assumptions for the subsequent measurement of raw materials, work in progress and finished goods are adjusted.

In the previous year, the RKW Group applied the following devaluation routines to raw materials and work in progress/finished goods:

	Last access batch < 12 months	Last batch received > 12 months or turnover rate < 25%	No further use
Raw materials	No devaluation	Full devaluation (100%)	Full devaluation (100%)
	No customer order and production date batch > 12 months	No customer order and production date batch > 18 months	Batch production date > 24 months
Unfinished/finished products	Devaluation by 20%	Devaluation to scrap value	Devaluation to scrap value

In the reporting year, segment-specific devaluation routines were introduced for both raw materials and work in progress/finished goods. This was based on assumptions made by our research and development department and customer specifications regarding declining quality as a result of the increasing storage period for both, raw materials and work in progress/finished goods. The impact on earnings as a result of the accounting change due to the switch to segment- and storage duration-specific criteria led to a one-off effect of €2,266 thousand.

The subsequent measurement of spare parts was also changed in the reporting year. Spare parts are held by the RKW Group in order to ensure that our production facilities are operational at all times. These are generally recognised across the Group using a fixed value. The fixed value is recalculated every three years following an inventory. All spare parts with a storage period of more than two years were fully amortised for the purpose of determining the value.

In the reporting year, spare parts were divided into two groups as a first step following the regular inventory of spare parts: So-called "small spare parts" with acquisition costs of up to €100 and so-called "standard spare parts" with acquisition costs of over €100. In a second step, the valuation was then changed from the previous procedure described above. The "small spare parts" are immediately recognised as an expense at the time of acquisition at their acquisition cost. "Standard spare parts" are capitalised at cost at the time of acquisition. If future use in a production plant is no longer possible for technical reasons, an impairment loss is recognised to the scrap value.

The effect on earnings as a result of the regular inventory of spare parts and the change in the valuation method led to a one-off effect of €5,225 thousand in the reporting year.

[6.8] TRADE RECEIVABLES

Trade receivables are recognised at amortised cost less impairment losses. Non-current non-interestbearing or low-interest receivables are discounted. The impairments in the form of specific valuation allowances take account of the expected default risks. Specific defaults result in the receivables concerned being derecognised. Receivables for which there is no objective evidence of impairment are derecognised accordingly.

IFRS 9.5.5.15 is measured using a simplified impairment model with regard to expected credit risks and defaults. The impairment is measured in the amount of the expected credit losses over the term. The impairment is initially calculated using average default rates over the past three years. If payments are more than 90 days overdue, an increased default rate is assumed. Furthermore, regional risk premiums are used to recognise credit risks on a country-specific basis.

[6.9] CASH AND CASH EQUIVALENTS

Cash on hand, demand deposits and time deposits with original maturities of generally up to three months at banks are treated as cash and cash equivalents and measured at amortised cost. Amounts in foreign currencies are translated at the closing rate.

[6.10] FINANCIAL INSTRUMENTS

Financial assets are recognised and measured in accordance with IFRS 9 "Financial Instruments". Accordingly, financial assets are recognised in the balance sheet if the Group has a contractual right to receive cash or other financial assets from another party. They are initially recognised at fair value.

Financial instruments are recognised in the balance sheet upon regular purchase or sale of financial assets on the trade date, i.e. the date on which the Group becomes a party to the contractual regulations of the financial instrument.

Trade receivables without a significant financing component are initially recognised at the transaction price.

Financial assets are derecognised when the contractual rights to payments from the financial assets no longer exist or the financial assets are transferred with all material risks and rewards.

Financial liabilities are derecognised when the Group's obligations specified in the contract expire or are waived or terminated.

In accordance with IFRS 9, financial assets are divided into the following categories for subsequent measurement:

- At amortised cost

A financial asset is measured at amortised cost using the effective interest method if it is held as part of a business model whose objective is to hold financial assets in order to collect contractual cash flows. In addition, 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 and are not recognised at fair value through profit or loss. This includes trade receivables, receivables from affiliated companies, other financial assets and cash and cash equivalents.

- FVOCI debt instruments (investments in debt instruments measured at fair value through other comprehensive income)

These are held as part of a business model whose objective is both to hold financial assets to collect contractual cash flows and to sell financial assets, and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In addition, these are recognised at fair value with changes in value in the statement of comprehensive income. The RKW Group does not currently hold any financial instruments in this category.

- FVOCI equity investments (equity investments measured at fair value in the statement of comprehensive income)

This category includes equity instruments that are not held for trading and for which the option to recognise changes in fair value in other comprehensive income has been exercised. At RKW, this includes financial assets that may, however, be measured at cost in accordance with IFRS 9B5.2.3.

- FVTPL (at fair value with changes in value recognised in profit or loss)

All financial assets that are not measured at amortised cost or at fair value with changes in other comprehensive income are measured at fair value with changes in value recognised in profit or loss. This includes all derivative financial assets if they do not fulfil the criteria of a hedging relationship (hedge accounting) in accordance with IFRS 9.

Financial assets are subject to the impairment requirements of IFRS 9. However, financial assets measured at fair value through profit or loss and equity instruments voluntarily measured at fair value through other comprehensive income instead of fair value through profit or loss are exempt from impairment.

The amount of the impairment is measured according to the expected credit losses. Expected credit losses result from the difference between the contractually agreed cash flows and the expected cash flows, measured at present value using the original effective interest rate.

Expected credit losses are recognised in four stages, resulting in a corresponding loss rate based on historical values. Furthermore, a breakdown is made based on the segments and geographical location. The corresponding breakdown for the 2023 financial year is shown in Note [9.3]. For financial assets that are credit-insured, a deduction of 0.05% is made from the net carrying amount after deduction of the specific valuation allowance (stage 1). If there is no credit insurance, a discount of 0.43% is applied to the net carrying amount after deduction of the specific valuation allowance for the year (stage 2). If there are objective indications that a financial asset is to be categorised as doubtful, it is assigned to stage 3. In this case, the loss rate deduction for calculating the generalised specific valuation allowance is 0.48% of the net carrying amount. In the event of bankruptcy of the debtor, the financial asset is allocated to stage 4 and, if no other information is available, is written down by 100.00%.

For receivables from affiliated companies, other financial assets and cash and cash equivalents, the probability of default both within the next 12 months and over the entire term was assessed as very insignificant on the basis of historical values. Furthermore, there are no indicators that the default risk has increased significantly compared to historical information. In the RKW Group, the impairment provisions therefore essentially have an impact on the measurement of the trade receivables. In accordance with IFRS 9.5.5.15, a simplified approach is provided for these, according to which the impairment is always measured in the amount of the expected credit losses over the term.



Financial liabilities are categorised as follows:

- Financial liabilities recognised at amortised cost include liabilities to banks, trade payables, liabilities to affiliated companies and other financial liabilities. They are initially recognised at fair value. Subsequent measurement is at amortised cost using the effective interest method.
- Financial liabilities at fair value through profit or loss comprise financial liabilities held for trading purposes, in particular derivative financial instruments, if they do not fulfil the criteria for hedge accounting in accordance with IFRS 9.

[6.11] DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments such as forward exchange transactions, commodity price hedges, interest rate caps and interest rate swaps are used to hedge risks arising from currency, commodity price and interest rate fluctuations. The transactions hedge interest rate risks from recognised underlying transactions and, in the case of currency and commodity price risks, also risks from pending delivery and service transactions.

Hedge accounting in accordance with IFRS 9 was applied in individual cases in these consolidated financial statements, resulting in income in 2023. Changes in the market value of derivative financial instruments that have been designated as hedging instruments as part of a cash flow hedge, including the associated deferred taxes, are recognised directly in equity until the hedged item is realised, provided that their effectiveness can be demonstrated. The ineffective portion of the hedging relationship is recognised directly in the income statement. The terms of the hedging relationships are generally coordinated with the occurrence of the transactions.

[6.12] DEFERRED TAXES

Deferred taxes are recognised in accordance with IAS 12 "Income Taxes" using the balance sheet liability method. Accordingly, deferred tax assets and liabilities are generally recognised for all temporary accounting and measurement differences between the carrying amounts in the IFRS balance sheet and the tax base in the national tax accounts. This also includes differences from consolidation entries recognised in profit or loss. Deferred tax assets are also recognised for future tax reduction claims from tax loss carryforwards, but only to the extent that it is highly probable that future taxable income will be available against which the tax loss carryforwards can be offset.

In accordance with the amendments to IAS 12 proposed by the IASB, deferred taxes are also recognised that relate to assets and liabilities arising from a single transaction.

Deferred tax assets are impaired if it is not sufficiently probable that the resulting tax reductions can actually be realised in the future. Evidence must be provided on the basis of a medium-term profit forecast.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it is probable that future taxable profit will allow their realisation.

Income taxes relating to items recognised directly in equity are recognised directly in the relevant equity category and not in the income statement.

Deferred taxes are recognised in the amount of the expected tax burden or relief in subsequent financial years, taking into account the tax rates applicable or expected at the time of realisation. The applicable tax rate of the companies is used for consolidation processes (previous year: 25.90% as general group tax rate, which was calculated as a revenue-weighted composite tax rate across all consolidated companies). For the domestic and foreign companies, the country-specific tax rates applicable or adopted as at the balance sheet date are taken into account.

Deferred tax assets and liabilities are only netted if the tax creditors are identical and there is an enforceable right to offset current taxes.

[6.13] EQUITY

Equity and liabilities are recognised in accordance with IAS 32.

Minority interests are recognised in the consolidated balance sheet under consolidated equity unless they are classified as liabilities in accordance with IAS 32. There are currently no minority shareholders.

[6.14] PENSION PROVISIONS

The actuarial valuation of the pension provisions is based on the actuarial assumptions set out in IAS 19 "Employee Benefits" the projected unit credit method prescribed by the German Employee Benefits Act for pension commitments. This method takes into account not only the pensions and acquired entitlements known on the reporting date, but also expected future increases in salaries, pensions and biometric assumptions regarding life expectancy and invalidity. The calculation is based on actuarial reports prepared on the basis of various assumptions, in particular standardised discount rates for discounting defined benefit obligations and for determining the fair value of plan assets. The discount rates are determined on the basis of yields achieved on the market on the respective reporting date for first-class, fixed-interest corporate bonds. In accordance with IAS 19, the interest portion of the addition to provisions and the income from plan assets are recognised as a net interest amount in the financial result. The service cost is recognised under personnel expenses. Actuarial gains and losses are recognised directly in equity.

[6.15] OTHER PROVISIONS

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", other provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are recognised at the probable settlement amount. Non-current provisions are discounted at standard market conditions if the discounting effect is material.

If there are a large number of similar obligations - as in the case of statutory and contractual warranties - the probability of a financial burden is determined on the basis of the group of these obligations. A provision is also recognised as a liability if the probability of a financial burden in relation to an individual obligation contained in this group is low.

[6.16] LIABILITIES

With the exception of derivative financial instruments, financial liabilities are recognised at amortised cost using the effective interest method. Transaction costs are also taken into account when determining acquisition costs. Other liabilities are recognised at their settlement amount.

[6.17] USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with IFRS requires assumptions and estimates. The assumptions and estimates affect the recognised assets and liabilities, the disclosure of contingent liabilities on the reporting date and the recognition of income and expenses during the reporting period.

These estimates mainly relate to the determination of the fair value of acquired assets and liabilities in business combinations, the assessment of the recoverability of intangible assets, in particular goodwill, as well as potentially impaired non-current assets, the determination of the useful lives of intangible assets and property, plant and equipment, the recoverability of inventories and deferred tax assets, expected credit losses and the recognition and measurement of provisions, in particular pension provisions and warranty provisions.

The provisions for litigation, compensation, warranty and similar obligations include expected charges from lawsuits in which RKW is the defendant and compensation obligations from lawsuits against RKW as well as fines. In addition to the assessment of the facts and the claims asserted in individual cases, the results of comparable proceedings and independent legal opinions are used to assess the amount of provisions. Assumptions are made regarding the probability of occurrence and the range of possible claims. The actual claims may differ from these estimates. Estimates are also required when determining the expected credit losses on financial assets.

The judgements are based on assumptions that take into account the knowledge available at the time the consolidated financial statements are prepared. This relates, for example, to individual factors such as discount rates or future salary trends, but also in particular to the expected business development, taking into account the industry-specific environment.

The use of assumptions is also necessary when assessing whether and to what extent the requirements for revenue recognition over time in accordance with IFRS 15.35c are met. This relates in particular to the question of whether there is an alternative use for the films produced and whether the RKW Group has a legal claim to payment for the services already rendered (including margin) from the contracts with customers.

Assumptions are required when accounting for leases. In particular when determining the term of the lease if the lessee has termination or extension options. In addition, the determination of the lessee's incremental borrowing rate requires the use of assumptions and estimates.

The assumptions on which the respective estimates are based are explained in the individual items of the balance sheet and income statement.

The actual values may differ from the assumptions and estimates made in individual cases, meaning that a significant adjustment to the carrying amounts of the assets or liabilities concerned is required. In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", changes in estimates are recognised in the income statement as soon as better knowledge becomes available.

[7] NOTES TO THE INCOME STATEMENT

[7.1] SALES

Sales revenues totalled €799,784 thousand in the reporting period (previous year: €998,563 thousand).

Sales fell by 12.7% or 41,151 tonnes from 322,761 tonnes to 281,618 tonnes.

in k EUR	2023	2022
Net sales - Germany	221,270	259,214
Net sales - European Union	408,498	517,099
Net sales - rest of the world	175,352	230,872
Sales deductions	-9,185	-11,143
Recharge of freight and packaging costs	3,849	2,522
Total net sales	799,784	998,563

In 2023, rental income of €109 thousand (previous year: €43 thousand) is included in sales.

In accordance with IFRS 15.121, outstanding performance obligations are not disclosed as there are no significant contracts with an expected term of more than twelve months. Based on the analysis of sales, there are no significant sales relating to specific periods.

[7.2] OTHER OPERATING INCOME

Other operating income includes the following items:



in k EUR	2023	2022 restated
Income from disposal of property, plant and equipment	6,254	275
Income from grants and subsidies	4,232	580
Income from insurance indemnities	1,482	1,571
Income from the reversal of provisions	1,433	1,095
Reversal of allowance on trade receivables	814	208
Income from staff facilities	123	145
Income from divestments	0	610
Payments received from debts already written off	0	15
Other	5,891	2,663
Total other operating income	20,228	7,162

Income from disposal of property, plant and equipment mainly relates to RKW Guangzhou. RKW Guangzhou is in liquidation and selling its fixed assets. Income from grants and subsidies mainly relates to RKW North America for Covid-19 from previous years. Income from the reversal of provisions mainly includes income of €461 thousand (previous year: €33 thousand) from the reversal of provision for severance payments, income of €488 thousand (previous year: €156 thousand) from the reversal of provisions for partial retirement, income of €219 thousand (previous year: €32 thousand) from the reversal of provisions for pending litigation and income of €0 thousand (previous year: €448 thousand) from the reversal of warranty provisions. Income from the reversal of allowance on trade receivables are attributable in full to contracts with customers. Insurance compensations of €1,482 thousand mainly relates to compensation from cyber insurance in Germany. Other operating income includes offsetting income of €2.9 million in connection with a waiver of receivables from a Group company. The corresponding expense entry is reported under other operating expenses.

Starting 2023, exchange rate gains and income from currency derivatives are stated in the financial result. The other income of 2022 is adjusted accordingly. For further information see note [7.7].

[7.3] COST OF MATERIALS

in k EUR	2023	2022
Costs of raw materials, supplies and consumables	434,214	619,338
Utility costs	45,761	28,547
Cost of purchased services	4,415	6,997
Costs of merchandise	6,868	8,553
Total cost of materials	491,258	663,435

The impairments are described under the balance sheet item inventories (see Note [8.7]).

[7.4] PERSONNEL EXPENSES

in k EUR	2023	2022
Salaries and wages	141,783	141,747
thereof Bonuses, premiums, royalties	10,807	9,641
Social security contributions and expenses for pension plans and employee benefits	32,605	33,756
thereof pension plans and employee benefits	2,180	3,087
Total personnel expenses	174,389	175,502

The expenses on occasion the termination of employment relationships outside of the restructuring measures totalled €1,703 thousand (previous year: €3,249 thousand).

The expenses for retirement benefits include the current service cost of the pension obligations totalling €525 thousand (previous year: €1,135 thousand) and pension funds payments totalling €1,628 thousand (previous year: €1,942 thousand).

The average number of employees developed as follows:

	2023	2022
Employees blue collar	1,972	2,078
Employees white collar	901	903
Total of employees	2,873	2,981

In the reporting period, the RKW Group employed an average of 67 trainees (previous year: 78), who are included in the above figures.

[7.5] AMORTISATION AND DEPRECIATION

in k EUR	2023	2022
Depreciation of intangible assets	15,279	15,816
Impairments on intangible assets	304	4,201
Depreciation of fixed assets	55,798	50,994
Impairments on fixed assets	0	1,319
Total of depreciation on fixed assets	71,381	72,330
Impairments- on divestion	898	0
Total depreciation	72,279	72,330

The scheduled depreciation periods are explained in Note [6.4]. See also notes on intangible assets [8.1] and tangible assets [8.2].

Impairment losses recognised at RKW Guangzhou Ltd. refer to the depreciation of software, other equipment and right-of-use due to the start of the liquidation of the company at year-end 2023.

As fixed assets of RKW Egypt Ltd. were acquired by an Egyptian buyer on April 4, 2023, the land, the building and a small amount of machinery and office equipment were sold for a purchase price of USD 4.5 million. The value of the assets sold have been written down to fair value less costs to sell in 2022. Further explanations are provided in Note [8.13].

[7.6] OTHER OPERATING EXPENSES

Other operating expenses include the following items:

in k EUR	2023	2022 restated
Freight charges (Outbound)	28,812	39,514
Packaging costs	14,881	17,562
Repairs and maintenance	14,319	19,093
Other services and 3rd party services; temporary workers (not production)	13,753	17,582
Audit and consulting fees	8,238	13,055
Allocation to other accruals	6,440	241
Insurance costs	5,109	5,519



in k EUR	2023	2022 restated
Travel expenses and entertainment expenses	2,842	2,747
Rent and Leasing payments	2,642	3,758
Royalty expenses	1,887	1,281
Building cleaning, office cleaning and waste disposal	1,822	2,065
Other taxes	1,181	1,811
Contributions and Fees	1,176	1,177
Commissions	1,169	1,788
Office material, postage and telephone costs	1,166	1,167
Advertising and marketing expenses	562	1,795
Losses on disposal of intangible assets and property, plant and equipment	425	171
Expenses for staff facilities	331	336
Bank charges and Factoring charges	307	282
IT costs	287	273
Allowances / Write-offs Receivables	103	504
Other	1,061	1,796
Total other operating expenses	108,514	133,519

In 2022 the auditing and consulting costs as well as services and third-party services include special expenses for the transfer of Egyptian assets (€7,764 thousand) and process improvement projects (€7,204 thousand).

in k EUR	Expenses for KPMG Luxembourg	Expenses in accordance with the facilitation provision according to § 285 no. 17 HGB
Audit costs	66	633
Audit-related costs	0	4
Tax consultancy costs	0	85
Other costs	0	32

The allowances on receivables relate entirely to contracts with customers. The allocation to other accruals includes offsetting expense of €2.9 million in connection with a waiver of receivables from a Group company. The corresponding income entry is reported under other operating income.

From 2023, exchange rate gains and income from currency derivatives are stated in the financial result. The other expenses of 2022 are adjusted accordingly. For further information see note [7.7].

[7.7] FINANCIAL RESULT



in k EUR	2023	2022 restated
Income from interest rate derivatives	2,438	633
Other interest and similar income	471	596
Exchange rate gains	4,837	3,643
Income from currency derivatives	192	549
Subtotal financial income	7,937	5,421
Net interest expenses - pensions	-2,176	-924
Interest expense on lease liabilities	-1,002	-528
Losses from interest rate derivatives	-1,297	-777
Other interest and similar expenses	-13,165	-5,662
Exchange rate loss	-6,876	-3,090
Losses from currency derivatives	-21	-23
Subtotal financial expenses	-24,536	-11,003
Financial result	-16,599	-5,582

Other interest and similar expenses mainly include interest to banks in the amount of €11,845 thousand (previous year: €5,457 thousand) and interest from factoring totalling €1,052 thousand (previous year: €111 thousand).

In 2023, exchange rate gains and losses as well as income and expenses from currency derivatives are shown in the financial result and no longer in other operating income or expenses. The amounts for 2022 have been adjusted accordingly.

The exchange rate gains and losses are mainly attributable to the companies RKW Guangzhou, RKW Vietnam and RKW Sweden.

Interest rate hedges are explained in more detail in Note [10.1]. Further information on factoring in Note [8.8].

[7.8] INCOME TAXES

Taxes on income and earnings paid or owed in the individual countries as well as deferred taxes are reported as income taxes.

Tax reconciliation

To determine the expected tax expense, earnings before income taxes are multiplied by the applicable income tax rate of the company (previous year: 25.90% as general group tax rate, which was calculated as a revenue-weighted composite tax rate across all consolidated companies).

The following table shows a reconciliation from the expected to the tax expense actually recognised:

in k EUR	2023	2022
Result before taxes	-60,571	-57,150
Applicable income tax rate percentage	24.94	25.90
Expected taxes on income	-15,105	-14,802
Tax effects of the following effects:		
Deviation of the actual tax rates of the individual companies	329	1,491
Effects of changes in tax rates	17	11



in k EUR	2023	2022
Utilization of tax losses (not recognized in previous years)	2,825	497
losses for which no tax assets could be recognised, and valuation allowances on temporary differences and tax loss carryforwards	8,158	10,538
Other deferred taxed not current period	530	564
Tax-exempt revenues	-1,619	-1,155
Non-deductible expenses	944	1,129
Non-deductible depreciation on goodwill	4,303	8,088
Tax income or expenses for previous years	-2,437	1,372
Notional taxable income and expense	935	-730
Taxes resulting from different tax bases	177	-653
Taxes on income reported	-943	6,349
Effective tax rate:	2%	-11%

The non-deductible expenses from waivers relates to RKW Guangzhou. In 2022 the non-deductible write-downs on investments relate to losses to amortisation and depreciation to the Investments in RKW SE, RKW America, RKW Egypt, RKW Hong Kong and RKW Guangzhou.

Taxes recognised in other comprehensive income:

in k EUR	2023		
	Before taxes	Tax income/ (expense)	After taxes
Items that will be reclassified to profit or loss under certain conditions			
Foreign operations- Currency differences	-2,964	0	-2,964
Cash flow hedges	1,629	-425	1,204
	-1,335	-425	-1,760
Items that will not be reclassified to profit or loss			
Remeasurements of the net defined benefit liability (asset)	2,722	-527	2,195
	2,722	-527	2,195
	1,387	-952	435
in k EUR	2022		
in k EUR	Before taxes	Tax income/ (expense)	After taxes
Items that will be reclassified to profit or loss under certain conditions			
Foreign operations- Currency differences	1,419	0	1,419
Cash flow hedges	-2,441	637	-1,804
	-1,022	637	-385
Items that will not be reclassified to profit or loss			
Remeasurements of the net defined benefit liability (asset)	-22,951	5,735	-17,215

in k EUR	2022		
	Before taxes	Tax income/ (expense)	After taxes
	-22,951	5,735	-17,215
	-23,973	6,372	-17,600

[8] NOTES TO THE BALANCE SHEET
NON-CURRENT ASSETS
[8.1] INTANGIBLE ASSETS
Development 2022/2023

in k EUR	Goodwill	Customer relations	Technology	Software	Other intangible assets	Total
Acquisition costs						
Balance at 01.01.2022	4,201	39,649	46,788	25,628	18,765	135,032
Exchange rate differences	0	377	240	10	475	1,101
Change in scope of consolidation	0	-2,930	644	0	0	-3,574
Additions	0	0	0	121	135	256
Disposals	0	0	0	288	0	288
Reclassification to disposal group classified as held for sale	0	0	0	-33	0	-33
Transfers	0	0	0	582	-483	99
Balance at 31.12.2022	4,201	37,096	46,383	26,019	18,892	132,593
Movements assets held for sale	0	0	0	33	0	33
Exchange rate differences	0	-936	-405	-56	-285	-1,682
Additions	0	0	0	371	607	978
Disposals	0	0	1,501	294	29	1,825
Transfers	0	0	0	60	-47	13
Balance at 31.12.2023	4,201	36,160	44,477	26,134	19,138	130,110
Depreciations						
Balance at 01.01.2022	0	8,682	21,055	22,591	13,038	65,366
Exchange rate differences	0	58	72	10	470	609
Change in scope of consolidation	0	-659	-290	0	0	-949
Depreciation current year	4,201	4,613	9,313	1,403	487	20,017
Disposals	0	0	0	288	0	288



in k EUR	Goodwill	Customer relations	Technology	Software	Other intangible assets	Total
Reclassification to disposal group classified as held for sale	0			-10	0	-10
Balance at 31.12.2022	4,201	12,694	30,149	23,707	13,995	84,746
Movements assets held for sale	0	0	0	10	0	10
Exchange rate differences	0	-430	-315	-50	-281	-1,075
Depreciation current year	0	4,534	9,473	1,074	501	15,583
Disposals	0	0	1,501	282	29	1,812
Balance at 31.12.2023	4,201	16,799	37,806	24,460	14,186	97,452
Net book value 31.12.2022	0	24,402	16,234	2,313	4,897	47,846
Net book value 31.12.2023	0	19,361	6,672	1,674	4,951	32,659

Intangible assets with indefinite useful lives totalled €2,200 thousand (previous year: €2,200 thousand) and advance payments of €345 thousand (previous year: €79 thousand). Intangible assets with restrictions on disposal rights amount to €4,439 thousand (previous year: €5,493 thousand). As in the previous year, there were no significant contractual obligations to acquire intangible assets as at the reporting date. As at 31 December 2023, other intangible assets include rights-of-use to intangible assets amounting to 0 (previous year: €4 thousand).

The goodwill capitalized as part of the acquisition of the RKW Group in 2019 primarily reflects the competitive position and profitability of the acquired business in connection with the expected future sales growth, market development and the existing employee base. The goodwill was allocated in full to the Hygiene cash-generating unit and impaired in 2022 based on the reduced earning power due to the closure of the Chinese site and the continuing losses of the US company and the site in Petersaurach leads to a recoverable amount below the carrying amount.

The estimate of cash flows and the assumptions made are based on the information available as at December 31, 2023 and may differ in the future. Earnings forecasts for the next few years are made for the cash-generating unit Hygiene in connection with the overall economic development in order to check the value retention. The amortized carrying amounts of the assets were compared with the recoverable amount of the assets. The recoverable amount is the higher of fair value less costs to sell and value in use.

The following assumptions were used to estimate the recoverable amount for the periods up to the financial year 2029:

- WACC before corporation tax 9.8% (previous year: 9.5%)
- weighted average cost of capital after taxes of 7.5% (previous year: 7.4%)
- Growth rate of 1.0% (previous year: 1.0%)
- Average EBITDA growth rate of 7.5% (7 years) (previous year: 3,9%, 7 years)

The non-capitalisable research and development expenses in accordance with IAS 38.126 amount to €2,907 thousand (previous year: €3,551 thousand).

[8.2] TANGIBLE ASSETS

[8.2.1] INFORMATION ON PROPERTY, PLANT AND EQUIPMENT

Development 2022/2023

in k EUR	Land and buildings	Machinery	Other plant and equipment	Right-of-use	Advances paid / construction in progress	Total
Acquisition costs						
Balance at 01.01.2022	113,499	553,216	41,415	54,231	12,154	774,515
Exchange rate differences	644	4,379	163	28	43	5,258



in k EUR	Land and buildings	Machinery	Other plant and equipment	Right-of-use	Advances paid / construction in progress	Total
Change in scope of consolidation	-15	-1,117	0	0	0	-1,133
Additions	560	12,355	2,293	9,927	26,883	52,018
Disposals	53	1,986	275	5,698	0	8,011
Transfers	912	14,710	472	-200	-15,993	-99
Reclassification to disposal group classified as held for sale	0	-17,237	-2,743	0	0	-19,981
Balance at 31.12.2022	115,547	564,320	41,326	58,287	23,088	802,568
Movements assets held for sale	0	17,237	2,743	0	0	19,980
Exchange rate differences	-642	-5,505	-536	-724	32	-7,376
Additions	2,100	10,902	790	8,446	14,086	36,323
Disposals	846	40,396	3,735	7,743	96	52,817
Transfers	2,893	20,400	2,669	-95	-25,880	-13
Reclassification to disposal group classified as held for sale	-5,708	-773	-2	0	0	-6,483
Balance at 31.12.2023	113,343	566,184	43,256	58,170	11,228	792,182
Depreciations						
Balance at 01.01.2022	50,910	436,279	31,465	30,130	0	548,782
Exchange rate differences	172	2,400	114	53	0	2,634
Change in scope of consolidation	-605	-503	0	0	0	-1,108
Depreciation current year	3,389	37,892	2,760	8,272	0	52,313
Disposals	49	1,762	268	5,789	0	7,868
Transfers	0	501	-395	-107	0	0
Reclassification to disposal group classified as held for sale	0	-14,209	-1,863	0	0	-16,072
Balance at 31.12.2022	53,817	460,598	31,813	32,453	0	578,682
Movements assets held for sale	0	14,209	1,863	0	0	16,072
Exchange rate differences	-361	-4,325	-410	-585	0	-5,680
Depreciation current year	3,433	40,748	3,405	9,109	0	56,696
Disposals	845	39,546	3,121	7,823	0	51,336
Transfers	0	95	0	-95	0	0



in k EUR	Land and buildings	Machinery	Other plant and equipment	Right-of-use	Advances paid / construction in progress	Total
Reclassification to disposal group classified as held for sale	-5,673	-773	-2	0	0	-6,448
Balance at 31.12.2023	50,373	471,006	33,548	33,060	0	587,986
Net book value 31.12.2022	61,730	103,721	9,513	25,834	23,088	223,886
Net book value 31.12.2023	62,971	95,178	9,708	25,111	11,228	204,196

Assets under construction are not yet available for operational use. They are reclassified to the relevant item upon commissioning or utilisation and depreciated from this point in time. Depreciation is recognised on a straight-line basis in accordance with the estimated useful lives stated in [6.4]. In 2022 the recoverable amount of land and buildings of RKW Egypt Ltd. has been assessed as fair value less costs to sell by an expert and amounts to €3,459 thousand and corresponds to level 3 of the fair value hierarchy. See also notes [8.13] on disposal groups classified as held for sale.

In total, the RKW Group recognises property, plant and equipment amounting to €22,603 thousand (previous year: €25,834 thousand), which includes restrictions on rights of disposal. There are contractually agreed obligations to purchase property, plant and equipment totalling €7,799 thousand (previous year: €12,428 thousand) as at the reporting date. Capitalised borrowing costs amount to €260 thousand (previous year: €518 thousand) and are attributable in full to RKW SE.

[8.2.2] INFORMATION ON RIGHT-OF-USE

Development 2022/2023

in k EUR	Right-of-use		Total
	Land and buildings	Other plant and equipment	
Acquisition costs			
Balance at 01.01.2022	42,527	11,591	54,118
Exchange rate differences	15	13	28
Additions	6,325	3,602	9,927
Disposals	3,214	2,371	5,585
Transfers	0	-200	-200
Reclassification to disposal group classified as held for sale	296	-296	0
Balance at 31.12.2022	45,949	12,338	58,287
Exchange rate differences	-714	-11	-724
Additions	4,903	3,543	8,446
Disposals	5,017	2,726	7,743
Transfers	0	-95	-95
Balance at 31.12.2023	45,121	13,049	58,170
Depreciations			
Balance at 01.01.2022	23,567	6,449	30,017
Exchange rate differences	-57	4	-53
Depreciation current year	5,755	2,518	8,272
Disposals	3,361	2,314	5,675

in k EUR	Right-of-use		Total
	Land and buildings	Other plant and equipment	
Transfers	0	-107	-107
Reclassification to disposal group classified as held for sale	296	-296	0
Balance at 31.12.2022	26,200	6,254	32,453
Exchange rate differences	-576	-8	-585
Depreciation current year	6,596	2,513	9,109
Disposals	5,276	2,547	7,823
Transfers	0	-95	-95
Balance at 31.12.2023	26,943	6,117	33,060
Net book value 31.12.2022	19,750	6,084	25,834
Net book value 31.12.2023	18,178	6,932	25,111

The RKW Group leases a large number of different assets. These include office and warehouse space, production buildings in China, Belgium and Vietnam as well as operating and office equipment. The net book value for the production facilities of RKW Guangzhou is included until end of January 2024. The development of lease liabilities is shown in [8.19].

Amounts recognised in the income statement:

in k EUR	2023	2022
Amortisation of rights of use	9,109	8,272
Interest expense on lease liabilities	1,002	528
Expense from short-term leases	400	1,027
Expense from leases with low-value assets	130	37
Expense for variable lease payments	23	28
Income from subleasing of rights of use	0	22

The portfolio of short-term leases for which obligations exist as at December 31, 2023 essentially corresponds to the portfolio to which the disclosure of the expense for short-term leases in the reporting period relates. For this reason, short-term lease obligations are not disclosed.

The total cash outflows from leases in 2023 totalled €11,548 thousand (previous year: €11,469 thousand).

Some of the leases for land and buildings are structured in such a way that they are automatically renewed if neither party cancels. If in these cases the costs incurred by the RKW Group in the event of cancellation are not low, an expected extension period was taken into account in addition to the noncancellable basic term when determining the term of the lease.

[8.3] FINANCIAL ASSETS

The financial assets consist of other participations totalling €43 thousand (previous year: €43 thousand).

[8.4] OTHER FINANCIAL ASSETS

Other financial assets are splitted-up as follows:

in k EUR	31.12.2023	31.12.2022
Present value of receivables from divestments (Belgium)	650	650
Receivables from deposits	263	290
Total other financial assets	913	940

[8.5] OTHER NON-CURRENT ASSETS

Other non-current assets totalling €60 thousand (previous year: €58 thousand) mainly consist of funds that hedge the pension provisions of the French subsidiaries but do not fulfil the criteria for plan assets.

[8.6] DEFERRED TAX ASSETS

Deferred tax assets relate to the following balance sheet items:

in k EUR	31.12.2023	31.12.2022
Temporary differences intangible assets and fixed assets	-6,193	-2,023
Temporary differences financial assets	2,499	1,482
Temporary differences other assets	2,185	2,476
Temporary differences provisions / accruals	21,381	14,036
Temporary differences payables / liabilities	4,593	4,848
Tax loss carry forward / tax credits	34,122	22,848
Allowance deferred taxes	-36,754	-21,348
Deferred tax assets	21,832	22,319

See also [8.21] for an explanation of deferred taxes.

CURRENT ASSETS

[8.7] INVENTORIES

Inventories include the following items:

in k EUR	31.12.2023	31.12.2022
Raw materials and supplies (gross)	62,788	74,528
Work in progress (gross)	11,458	13,627
Finished goods (gross)	48,417	61,400
Merchandise (gross)	722	1,475
Goods in transit	2,380	3,586
Advances paid	57	211
Less: Write-downs	-5,266	-8,093
Total inventories	120,557	146,734

The cost of inventories recognised as an expense in the reporting period amounted to €659,835 thousand (previous year: €823,831 thousand). Inventories recognised at net realisable value amounted to €21,796 thousand in the reporting year (previous year: €37,869 thousand).

[8.8] TRADE RECEIVABLES

in k EUR	31.12.2023	31.12.2022
Trade receivables (gross)		
not yet due	78,354	113,206
overdue 1-30 days	3,514	8,235
overdue 31-60 days	403	2,725
overdue 61-90 days	264	763
overdue more than 90 days	542	2,807
Bankruptcy	64	64
Disputed receivables	82	84
Allowance on trade receivables	-485	-1,865
Expected credit losses	-144	-198
Expected deductions (cash discounts, bonuses, rebates)	-125	-47
Receivables from advance payments	6	17
Total trade receivables from third parties	82,475	125,793

Explanations on the default risk of trade receivables can be found in [10.4].

[8.9] RECEIVABLES - INCOME TAX

The income tax receivables of €3,318 thousand (previous year: €2,169 thousand) include receivables from tax refund claims of the domestic companies totalling €2,637 thousand (previous year: €469 thousand); the remaining amount of €681 thousand is attributable to the foreign companies (previous year: €1,700 thousand).

[8.10] OTHER FINANCIAL ASSETS

in k EUR	31.12.2023	31.12.2022
Customers with debit balances	702	980
Receivables from employees	15	580
Receivables from deposits	274	321
Currency derivatives	192	21
Interest rate derivatives	0	1,388
Receivables from sale of assets	1,591	0
Sundry other financial assets	0	16
Total other financial assets	2,775	3,306

The derivative financial instruments are explained under [10.1] and [10.2].

[8.11] OTHER RECEIVABLES AND ASSETS



in k EUR	31.12.2023	31.12.2022
Receivables from tax authorities	16,120	16,292
Prepaid expenses and deferred charges	743	1,085
Sundry other assets	6,327	1,187
Total other receivables and other assets	23,189	18,564

Receivables from tax authorities include purchase tax totalling €8,331 thousand (previous year: €9,909 thousand) and other taxes totalling €7,789 thousand (previous year: €6,383 thousand). Sundry other assets include €3,377 thousand (previous year: €0 thousand) from the settlement of assigned receivables.

[8.12] CASH AND CASH EQUIVALENTS

Cash and cash equivalents break down as follows:

in k EUR	31.12.2023	31.12.2022
Cash in hand	14	16
Cash at banks	59,955	77,059
Cash in transit	10	10
Sundry cash and cash equivalents	0	33
Total cash and cash equivalents	59,978	77,118

[8.13] ASSETS HELD FOR SALE

RKW SE sold a plot of land at Gronau in February 2024 and the net book value has been reclassified as asset held for sale reported as a disposal asset as at December 31, 2023.

RKW Egypt Ltd. closed its plant in the course of 2021. Production was discontinued and the fixed assets were sold, except for the land and buildings, unless they were used by other companies within the Group. RKW Egypt Ltd. sold the land and building for a purchase price of USD 4.5 million under a contract dated April 4, 2023. The purchase price had been transferred in full by the time the property was set up. Ownership will be transferred after entry in the local land register. The production buildings, which were abandoned in 2021 and are now empty, and a small amount of machinery and office equipment were sold. Intangible rights and patents were not sold. In 2022 the fair value less costs to sell is adjusted through profit or loss as extraordinary amortisation under note [7.5] and thus corresponds to level 3 of the measurement hierarchy.

RKW Guangzhou Company, Ltd. move out of the industrial park at its site due to strong local competition and the associated low market potential and national regulations and will close the site by August 2024. The intention was to sell a large part of the machinery to local interested parties. These machines were intended to be disposed of in 2023 and were reported as a disposal group IFRS 5 in the consolidated financials statements as at December 31, 2022. Being necessary for ongoing production, the machinery was reallocated to fixed assets on January 1, 2023 and depreciated until November 2023.

The disposal group is recognised at fair value and comprises the following assets and liabilities:

in k EUR	31.12.2023	31.12.2022
Property, plant, equipment	35	7,390
Deferred taxes	0	0
Inventories	0	0
Trade and other receivables	0	0
Cash and cash equivalents	0	0
Assets held for sale	35	7,390

[8.14] EQUITY

The subscribed capital amounts to €25 thousand (previous year: €25 thousand) and consists of 25,000 no-par value shares of one euro each. The capital reserve amounts to €261,555 thousand (previous year: €261,555 thousand). This includes €241,076 thousand (previous year: €241,076 thousand) via the Contribution and Assignment Agreement, which is not distributable, and an increase of €20,000 thousand as part of a capital contribution.

The legal reserve amounts to €2.5 thousand (previous year: €2.5 thousand) and fulfils the requirement to show 10% of subscribed capital.

The other changes in equity recognised directly in equity are made up as follows:

in k EUR	31.12.2023	31.12.2022
Actuarial gains or losses	25,211	27,791
Cash flow hedges	1,330	2,874
Taxes with no effect on income	-6,781	-7,683
Currency conversion	1,055	-1,909
Total other changes in equity not recognised in profit or loss	20,815	21,073

The gains and losses from cash flow hedges to hedge interest rate risks are shown below:

in k EUR	2023	2022
Gains/losses recognised in other comprehensive income	-1,544	2,441
Transfers from equity as the hedged item has affected the income statement	1,160	-292

NON-CURRENT LIABILITIES

[8.15] LIABILITIES TO SHAREHOLDERS

These are loans from the shareholders with a term until 2030.

[8.16] PENSION PROVISIONS

The RKW Group has various defined contribution pension plans, including in particular employer contributions to statutory pension insurance and contributions to pension funds. The contributions to defined contribution pension plans amount to €17,837 thousand in 2023 (previous year: €12,409 thousand).

Defined benefit plans provide for pension payments upon reaching retirement age or permanent occupational disability as well as widows' and orphans' pensions. The amount of the individual pension benefit is based on the wage or salary level and/or the position in the company hierarchy as well as the length of service. There are defined benefit plans mainly in Germany as well as in Belgium and, to a lesser extent, at the French subsidiaries and in Sweden.

Obligations from defined benefit plans at RKW SE in Germany are based on company agreements at various locations that were taken over as part of acquisitions and will be continued, as well as obligations for senior executives. The plans provide for an obligation to commence at the age of 65 at the latest. The average life expectancy was calculated on the basis of the 2018G mortality tables by Prof. Klaus Heubeck.

The Belgian subsidiary RKW Hyplast maintains various pension plans for all employees, the benefits of which depend on when the employees join the company. The pension obligation is paid as a one-off payment.

Obligations from defined benefit plans of the French subsidiaries only arise if the beneficiary is an employee of the company on the date of pension entitlement. The pension obligation is paid as a lump sum with the last salary payment.

The Swedish subsidiary has a multi-employer plan, which is a defined benefit plan. As RKW does not have the right to obtain the information from the insurance company required for recognition as a defined benefit plan, this plan is recognised as a defined contribution plan. Any asset surpluses or deficits are offset by the contributions of the following year. In 2023, this resulted in expenses of €115 thousand (previous year: €164 thousand).

The RKW Group is exposed to various risks in connection with the obligations from defined benefit plans. These risks relate in particular to general actuarial risks such as interest rate risk and longevity risk. Salary increases for beneficiary employees above the expected level lead to an increase in the defined benefit obligation. There are investment risks with regard to the plan assets.

The pension obligations are calculated on the basis of annually updated actuarial reports, for which the following assumptions were made:

ACTUARIAL ASSUMPTIONS

	2023	2022
Discount rate (%)	3.15	3.68
Salary increases (%)		
Belgium	4.20	4.20
Germany	3.00	3.00
France	2.00	2.00
Pension increases (in %)		
Germany	2.30	2.30
Retirement age (years)	65	65

The changes in the present value of the defined benefit obligations are as follows:

DETERMINATION OF THE PRESENT VALUE OF PENSION COMMITMENTS

in k EUR	2023	2022
Defined benefit obligation as at 01.01.	64,927	87,722
Interest expense	2,333	1,047
Actuarial gains and losses arising from changes in demographic assumptions	0	52
Actuarial gains and losses arising from changes in financial assumptions	2,875	-22,549
Current service cost	882	1,389
Pension payments	-2,733	-2,770
Contributions by plan members	44	37
Defined benefit obligation as at 31.12.	68,328	64,927

The defined benefit obligations are distributed regionally as follows:

REGIONAL DISTRIBUTION OF DEFINED BENEFIT OBLIGATIONS

in Prozent	2023	2022
Deutschland	92.6	92.1
Belgien	6.1	6.4
Frankreich	1.3	1.5
Summe	100.0	100.0

A change of half a percentage point in each of the above assumptions used to determine the defined benefit obligations as at December 31, 2023 would increase or decrease the defined benefit obligations as follows:

SENSITIVITY ANALYSIS

in k EUR	2023		2022	
	Increase + 0.5%	Decrease - 0.5%	Increase + 0.5%	Decrease - 0.5%



	2023		2022	
Discount rate	-5,078	5,116	-4,594	4,728
Salary increases	709	-1,215	861	-1,080
Pension increases	2,789	-4,837	2,456	-4,460
in k EUR	Increase + 1 year	Decrease -1 year	Increase +1 year	Decrease -1 year
Life expectancy	2,367	-3,011	2,096	-2,574

The present value of the defined benefit obligations was determined in the above sensitivity analysis using the same methods used to calculate the defined benefit obligations recognised in the balance sheet.

If several assumptions in the sensitivity analysis are changed simultaneously, the overall effect does not necessarily have to correspond to the sum of the individual effects from the change in assumptions.

The maturity of the undiscounted defined benefit obligations is splitted-up as follows:

MATURITIES OF THE UNDISCOUNTED PENSION BENEFITS

	2023	2022
Fälligkeit < 1 Jahr	2,474	2,485
Fälligkeit 1 - 2 Jahre	2,214	3,054
Fälligkeit 2 - 5 Jahre	8,095	7,861
Fälligkeit > 5 Jahre	118,980	106,153

The weighted average term of the defined benefit obligations is 11.95 years (previous year: 12.06 years).

The plan assets developed as follows:

DEVELOPMENT OF PLAN ASSETS

in k EUR	2023	2022
Plan assets as at 01.01.	4,703	4,706
Income from plan assets	158	123
Actuarial gains and losses	29	78
Contributions by the employer	358	254
Contributions by employees	44	37
Benefits paid	-358	-494
Plan assets as at 31.12.	4,933	4,703

The plan assets consist entirely of other assets (claims from insurance contracts) and in this case mainly reinsurance policies taken out by the employer as the policyholder to cover the pension commitments. In the German and French companies, the employee as the insured person has the irrevocable and insolvency-protected right to draw the insurance benefit to cover his or her pension benefit.

The net position from the present value of the obligations and the plan assets as at the respective reporting date was recognised in the provisions, which developed as follows:

RECOGNISED PENSION PROVISIONS

in k EUR	2023	2022
Present value of pension commitments	68,328	64,927
Fair value of plan assets	-4,933	-4,703
Pension accruals as at 31.12.	63,395	60,224

An upper risk limit at Group level forms the basis for determining the coverage strategy for pension commitments. Both the upper risk limit and the formation of plan assets are regularly reviewed by the Executive Board of RKW SE, also with the assistance of external consultants, in order to ensure a holistic view of the plan assets and benefit obligations.

[8.17] OTHER PROVISIONS

in k EUR	Personnel commitments	Provisions for pending litigation
Balance at 01.01.2022	2,839	4,070
Use	117	0
Releases	236	0
Additions	390	197
Compounding	-306	27
Exchange rate differences	3	0
Balance at 31.12.2022	2,573	4,294
Use	107	0
Releases	509	0
Additions	56	159
Compounding	189	0
Transfers	-377	0
Exchange rate differences	-31	0
Balance at 31.12.2023	1,793	4,453

The provisions for personnel commitments mainly relate to provision for jubilee benefits totalling €1,626 thousand (previous year: €1,641 thousand) and provisions for severance payments totalling €121 thousand (previous year: €498 thousand). The obligation arising from employees' claims from partial retirement was offset against a fixed deposit account assigned to an association for the implementation of insolvency insurance in accordance with AltTZG as plan assets. The associated gross obligation totalled €400 thousand as at the reporting date (previous year: €914 thousand). The fair value of the assigned fixed-term deposit account amounted to €448 thousand as at December 31, 2023 (previous year: €576 thousand). The provision for one pending litigation amounts to €4,453 thousand (previous year: €4,294 thousand).

The calculation of entitlements from partial retirement and anniversary payments is essentially based on actuarial reports.

[8.18] LIABILITIES TO BANKS

in k EUR	31.12.2023	31.12.2022
Liabilities to banks	90,479	132,199
- thereof secured	0	0

Current liabilities to banks are shown under [8.24].

[8.19] OTHER FINANCIAL LIABILITIES

in k EUR	31.12.2023	31.12.2022
Lease Liabilities	18,071	19,324
Total other financial liabilities	18,071	19,324

Maturity analysis

in k EUR	31.12.2023	31.12.2022
due in 2022	9,781	8,385
due in 2023	7,493	7,043
due in 2024	4,994	4,897
due in more than 4 years	9,554	8,964
less included interest portion	-5,272	-2,043
Present value of lease payments	26,550	27,247

Recognised in the consolidated balance sheet as

in k EUR	31.12.2023	31.12.2022
Short-term lease Liabilities	8,479	7,923
Long-term lease Liabilities	18,071	19,324
Total lease Liabilities	26,550	27,247

From a group perspective, there is no significant liquidity risk with regard to lease liabilities.

[8.20] OTHER LIABILITIES

Other liabilities totalling €527 thousand relate to non-current personnel liabilities, all of which are attributable to RKW SE (previous year: €735 thousand).

[8.21] DEFERRED TAX LIABILITIES

Deferred tax liabilities relate to the following balance sheet items:

in k EUR	31.12.2023	31.12.2022
Temporary differences intangible assets and fixed assets	18,904	28,354
Temporary differences other assets	17,259	15,629
Temporary differences provisions / accruals	5,013	18
Temporary differences payables / liabilities	561	605
Deferred tax liabilities	41,737	44,606

No deferred tax assets were recognised for temporary differences of €5,775 thousand (previous year: €16,828 thousand) and tax loss carryforwards of €37,737 thousand (previous year: €87,490 thousand), as the realisation of the corresponding tax benefits is not considered probable in the medium term. Most of the tax loss carryforwards will not expire in the next five years.

As at December 31, 2023, deferred tax assets exceeding deferred tax liabilities by €1,727 thousand (previous year: €80 thousand) were recognised for companies that suffered a loss in the current period or in the previous period, as these companies are expected to generate taxable income again in the medium term, against which unused tax losses, tax credits and deductible temporary differences can be offset.

Future dividends to be paid in Germany by the parent company RKW Holding S.à r.l. have no impact on the Group's tax burden.

No deferred taxes were recognised for temporary differences in connection with shares in subsidiaries, as the timing of the reversal of the temporary differences can be controlled and it is not probable that the reversal will occur in the foreseeable future.

CURRENT LIABILITIES

[8.22] OTHER PROVISIONS

in k EUR	Personnel commitments	Warranty obligations	Other	Total
Balance at 01.01.2022	2,713	1,674	1,596	5,983
Use	2,449	0	78	2,527
Releases	108	448	426	983
Additions	2,614	238	226	3,079
Exchange rate differences	0	9	-7	2
Balance at 31.12.2022	2,769	1,473	1,311	5,553
Use	1,537	168	3,331	5,035
Releases	650	0	454	1,104
Additions	1,127	1,176	5,655	7,957
Transfers	-253	0	630	377
Exchange rate differences	-82	-17	-13	-112
Balance at 31.12.2023	1,375	2,464	3,797	7,636

The additions to personnel provisions in 2023 include €925 thousand (previous year: €1,308 thousand) for severance payments for RKW SE, previous year for the RKW Guangzhou Ltd. location. Parts of the provisions recognised for restructuring measures as part of Project Excellence set up in previous years were reversed in 2022 in the amount of €893 thousand. The other provisions include additions of €1,001 thousand for restructuring in RKW Guangzhou Ltd.

Warranty expenses consist of the replacement of the delivered product and expenses for processing the warranty claim, freight and, if applicable, removal and installation costs. Provisions are calculated at 0.32% of annual sales with third parties covered by warranty (previous year: 0.12%).

[8.23] LIABILITIES TO SHAREHOLDERS

This is the accrued interest on shareholder loans (see [8.15]).

[8.24] LIABILITIES TO BANKS

in k EUR	31.12.2023	31.12.2022
Liabilities to banks	41,571	67,359
- thereof secured	0	0

[8.25] OTHER FINANCIAL LIABILITIES

in k EUR	31.12.2023	31.12.2022
Liabilities from bonus-based discounts	2,932	4,501

in k EUR	31.12.2023	31.12.2022
Lease Liabilities	8,479	7,923
Customers with credit balances	852	1,107
Interest rate derivatives	313	0
Commissions payable to third parties	210	215
Currency derivatives	0	0
Sundry other financial liabilities	479	469
Total other financial liabilities	13,264	14,215

The obligations from leases are explained under [8.19].

The derivative financial instruments are explained under [10.1], [10.2] and [10.3].

[8.26] TRADE PAYABLES

in k EUR	31.12.2023	31.12.2022
Trade payables	108,158	103,998
Liabilities from advance payments received	53	121
Total trade payables	108,210	104,118

[8.27] LIABILITIES - INCOME TAX

Income tax liabilities totalling €1,672 thousand (previous year: €4,500 thousand) relate to income taxes liabilities to the tax authorities and amount to €967 thousand (previous year: €4,119 thousand) in Germany and €704 thousand (previous year: €381 thousand) for foreign companies.

[8.28] OTHER LIABILITIES

in k EUR	31.12.2023	31.12.2022
Liabilities relating to salaries and wages	1,351	1,267
Accrued vacation pay	4,101	4,043
VAT and other non income tax liabilities	2,507	3,902
Liabilities relating to social security	3,748	3,117
Flexitime/Time credit	1,334	1,100
Other payables in respect of personnel	7,049	4,674
Management bonus, Christmas bonus, 13th salary	1,074	958
Sundry other liabilities	1,253	779
Total other liabilities	22,416	19,839

The increase in other personnel liabilities compared to the previous year mainly relates to the raise in management bonuses and bonuses for employees.

[9] FINANCIAL INSTRUMENTS

[9.1] FINANCIAL ASSETS

The financial assets were classified in the following tables:

in k EUR	IFRS 9				Total	Balance sheet values	Fair value
	Amortised acquisition cost	Fair value with changes in profit or loss	Fair value with changes in the other comprehensive income				
Financial assets	0	0	43		43	43	43
Trade receivables from third parties	125,793	0	0		125,793	125,793	125,793
Trade receivables from affiliated companies	0	0	0		0	0	0
Long-term other financial assets	940	0	0		940	940	940
Short-term other financial assets	1,897	1,408	0		3,305	3,305	3,305
Cash and cash equivalents	77,118	0	0		77,118	77,118	77,118
Balance at 31.12.2022	205,748	1,408	43		207,198	207,198	207,198
Financial assets			43		43	43	43
Trade receivables from third parties	82,475	0	0		82,475	82,475	82,475
Trade receivables from affiliated companies	0	0	0		0	0	0
Long-term other financial assets	913	0	0		913	913	913
Short-term other financial assets	2,583	192	0		2,775	2,775	2,775
Cash and cash equivalents	59,978	0	0		59,978	59,978	59,978
Balance at 31.12.2023	145,949	192	43		146,184	146,184	146,184

With the exception of derivatives, receivables, other financial assets and cash and cash equivalents are measured at amortised cost. It is assumed that the fair value essentially corresponds to the carrying amounts due to the predominantly short remaining terms.

The classification of financial liabilities is as follows:

in k EUR	IFRS 9				Total
	Amortised acquisition cost	Fair value with changes in profit or loss	Derivatives in hedge accounting		
Long-term liabilities to shareholders	1,829	0	0		1,829
Long-term liabilities to banks	132,199	0	0		132,199
Long-term other financial liabilities	0	0	0		0
Short-term liabilities to banks	67,359	0	0		67,359
Short-term other financial liabilities	6,292	0	0		6,292
Trade payables to third parties	104,118	0	0		104,118
Liabilities to shareholders	48	0	0		48



in k EUR	IFRS 9			Total
	Amortised acquisition cost	Fair value with changes in profit or loss	Derivatives in hedge accounting	
Balance at 31.12.2022	311,847	0	0	311,847
Long-term liabilities to shareholders	1,889	0	0	1,889
Long-term liabilities to banks	90,479	0	0	90,479
Long-term other financial liabilities	0	0	0	0
Short-term liabilities to banks	41,571	0	0	41,571
Short-term other financial liabilities	4,472	0	313	4,785
Trade payables to third parties	108,210	0	0	108,210
Liabilities to shareholders	165	0	0	165
Balance at 31.12.2023	246,787	0	313	247,100

in k EUR	IFRS 9 (Leasing)		Fair value
	Financial instruments outside of IFRS 9 (Leasing)	Balance sheet values	
Long-term liabilities to shareholders	0	1,829	2,447
Long-term liabilities to banks	0	132,199	132,199
Long-term other financial liabilities	19,324	19,324	19,324
Short-term liabilities to banks	0	67,359	67,359
Short-term other financial liabilities	7,923	14,215	14,215
Trade payables to third parties	0	104,118	104,118
Liabilities to shareholders	0	48	48
Balance at 31.12.2022	27,247	339,093	339,711
Long-term liabilities to shareholders	0	1,889	1,889
Long-term liabilities to banks	0	90,479	91,097
Long-term other financial liabilities	18,071	18,071	18,071
Short-term liabilities to banks	0	41,571	41,571
Short-term other financial liabilities	8,479	13,264	13,264
Trade payables to third parties	0	108,210	108,210
Liabilities to shareholders	0	165	165
Balance at 31.12.2023	26,550	273,650	274,268

The liabilities to banks are mainly subject to variable interest rates or, if they are fixed interest rates, the current market interest rates essentially correspond to the agreed interest rates, so that their fair value - calculated as the present value of future cash flows - does not differ significantly from the carrying amount. The lease liabilities mainly result from the application of IFRS 16. These liabilities were measured at the incremental borrowing rate at the reporting date. The fair value at the reporting date corresponds approximately to the carrying amount. In the case of other financial liabilities, it is assumed that the fair value essentially corresponds to the carrying amount due to the predominantly short remaining terms.

[9.3] ESTIMATE OF EXPECTED CREDIT LOSSES

ESTIMATE OF EXPECTED CREDIT LOSSES FOR BUSINESS CUSTOMERS

Credit insurance was in place for more than half of all receivables in the Group as at the reporting date and a large number of customers have had business relationships with the Group for more than four years. No amounts have been derecognised for any of these customers or an impaired credit rating has been identified. Receivables are categorised into four groups to monitor the default risk. The geographical location is also taken into account when assessing creditworthiness. The Group does not currently monitor the economic conditions in any of the regions in which trade receivables exist as at the reporting date. Appropriate measures would be initiated to limit the risks from customers in countries with unusually volatile economies. In addition, the segment to which the customers are allocated as listed in section 6.4 is also taken into account. The Group does not require collateral for trade receivables and other receivables. The Group has no trade receivables or contract assets for which no impairment losses have been recognised due to collateral.

The following table contains information on the default risk and expected credit losses for trade receivables and contract assets for business customers as at 31 December 2023 and the resulting loss rates:

in k EUR	Loss rate in %	Net book value	Specific allowance (on net book value)	Flat-rate specific valuation allowance
Trade receivables creditinsured (gross)	-0.05%	58,788	-27	-41
Trade receivables not creditinsured (gross)	-0.43%	24,434	-459	-102
Others (disputed)	-0.48%	0	0	0
Others (bankruptcies)	-100%	0	0	0
Total		83,223	-485	-143
Prepayments and expected deductions				-119
Trade receivables		82,475		

There is a high proportion of credit-insured receivables. The default risk, which is limited to the own share in the event of a loss, is low. The generalised specific valuation allowances take into account the percentage default risk on the net value reduced by the specific valuation allowances.

The default risk for trade receivables and contract assets as at the reporting date of December 31, 2023, splitted-up by geographical region, is as follows:

in k EUR	2023
USA	6,296
Europe	70,326
thereof EU	59,008
APAC	1,436
other countries	5,164
Total	83,223

The default risk for trade receivables and contract assets as at the reporting date of December 31, 2023, splitted-up by type of customer, is as follows:

in k EUR	2023
Hygiene	20,561
Packaging and Industrial	51,916
Agriculture	10,746
North America	0
Total	83,223

[9.4] OTHER DISCLOSURES ON FINANCIAL INSTRUMENTS



Derivatives measured at fair value are financial instruments whose fair values cannot be determined on the basis of prices quoted on active markets, but which are based on observable market data (Level 2). These are mainly interest rate derivatives, which are measured using present value models and option pricing models based on current yield curves, and currency derivatives, which are mainly measured using present value models. The fair values of the derivatives totalled €-121 thousand (previous year: €1,408 thousand) as at the reporting date, of which financial assets of €192 thousand (previous year: €20 thousand) and financial liabilities of €313 thousand (previous year: €0 thousand).

Liabilities to banks are not measured at fair value in the balance sheet; the fair value is only determined from observable market data (level 2) for presentation in the notes. No fair values are determined for the other financial instruments, as it is assumed that the carrying amounts approximate the fair values.

Interest income and interest expenses from the financial instruments shown above as well as income and expenses from interest rate hedging instruments are recognised in the financial result. The change in value adjustments on trade receivables recognised in the income statement is reported in the financial result.

Services, exchange rate effects and the effects on earnings from currency derivatives are recognised in other operating expenses or other operating income up to year 2022. For a better true and fair view the effects are stated within the financial result starting in 2023. The amounts of the previous year are adjusted accordingly.

The net results of the financial instruments by measurement category are as follows:

in k EUR	2023	2022
Assets at amortised acquisition cost	-426	3,330
Derivatives at fair value	1,312	383
Liabilities at amortised acquisition cost	-14,360	-2,441

The total interest income from financial assets at amortised cost amounts to €162 thousand in 2023 (previous year: €66 thousand). Total interest expenses from financial liabilities not measured at fair value through profit or loss amounted to €14,060 thousand in 2023 (previous year: €5,609 thousand).

[10] FINANCIAL RISK MANAGEMENT

The main financial instruments used in the Group include bank loans, promissory note loans, overdraft facilities, leases and trade payables, which are used to finance business activities. The Group has various financial assets, including trade receivables, cash and cash equivalents and short-term deposits that arise directly from business activities.

Derivative financial instruments such as interest rate swaps, commodity swaps and forward exchange transactions are used to minimise risks from changes in exchange rates, commodity prices and interest rates. Derivative financial instruments are used exclusively to hedge existing or expected foreign currency, commodity price or interest rate risks.

[10.1] INTEREST RATE RISK

The RKW Group is generally exposed to interest rate fluctuations, which mainly arise from liabilities to banks with variable interest rates based on Euribor and SOFR (term SOFR). Traditional interest rate hedges (interest rate swaps and caps) are used to hedge variable-interest liabilities. These are measured at fair value as at the reporting date and recognised under other financial assets at €0 thousand (previous year: €1,388 thousand) and under other financial liabilities at €313 thousand (previous year: €0 thousand). The remaining term of the interest rate derivatives is up to 4 years (previous year up to 1 years). The nominal volume of interest rate derivatives totalled €118,500 thousand as at the reporting date (previous year: €69,899 thousand).

Hedge accounting was applied if all requirements were fulfilled. As part of hedge accounting, there are interest rate swaps with a nominal volume of €118,500 thousand (previous year: €69,899 thousand) and a term until November 2027 (previous year: until November 2023), which are recognised under other financial liabilities with a market value including accrued interest of €121 thousand (previous year: €1,388 thousand under other financial receivables). The change in market value (excluding accrued interest), including the related deferred taxes, is recognised directly in equity. The gains and losses from cash flow hedges are explained under [8.14].

All variable-interest balance sheet items and interest rate derivatives have been included in the calculation of the interest rate risk. The following overview shows the sensitivity of consolidated earnings before taxes depending on a fundamentally possible change in interest rates. Other variables remain unchanged in the analysis.

EFFECTS OF INTEREST RATE CHANGES ON EARNINGS BEFORE TAXES

in k EUR	2023	2022
Increase of the market rate of interest by 50 basis points	-559	-480
Reduction of the market rate of interest by 50 basis points	559	480

The following table shows the effects of a possible change in interest rates on the reserve from cashflow hedges in equity (excluding taxes recognised directly in equity).

EFFECTS OF INTEREST RATE CHANGES ON EQUITY

in k EUR	2023	2022
Increase of the market rate of interest by 50 basis points	137	170
Reduction of the market rate of interest by 50 basis points	-405	-170

[10.2] CURRENCY RISK

The RKW Group conducts business mainly in EUR. A small proportion of transactions are conducted in foreign currencies, in particular USD, SEK, GBP, EGP, AUD and CNY.

Currency risks from potential impairment of a financial instrument due to changes in exchange rates (transaction risks) exist in particular if receivables and liabilities are denominated in a currency other than the functional currency of the local company. These risks from operating activities are systematically recognised and regularly reviewed. Risks from fluctuations in receivables and liabilities as well as contractual or foreseeable transactions denominated in foreign currencies are mainly hedged using forward transactions and other suitable instruments. These currency hedging transactions are measured at fair value as at the reporting date and recognised under other financial assets at €192 thousand (previous year: €21 thousand). The remaining terms of these financial instruments are between one and seven months.

The following table shows the sensitivity of consolidated earnings before taxes from transaction risks depending on fundamentally possible changes in the main foreign currencies USD, CNY, GBP, SEK and CAD. Other variables remain unchanged in the analysis.

EFFECT OF EXCHANGE RATE CHANGES ON EARNINGS BEFORE TAXES

in k EUR	2023	2022
Devaluation of EUR against USD by 10%	-8,967	-10,792
Revaluation of EUR against USD by 10%	7,162	8,830
Devaluation of EUR against CNY by 10%	178	-1,145
Revaluation of EUR against CNY by 10%	-146	937
Devaluation of EUR against GBP by 10%	247	214
Revaluation of EUR against GBP by 10%	-202	-175
Devaluation of EUR against SEK by 10%	-54	-136
Revaluation of EUR against SEK by 10%	45	111
Devaluation of EUR against CAD by 10%	37	164
Revaluation of EUR against CAD by 10%	-30	135

In addition to transaction risks, there are translation risks arising from the fact that Group companies outside the eurozone prepare their financial statements in the local currency, which are translated into euros when they are included in the consolidated financial statements. Translation risks are systematically recognised and reviewed, but are generally not hedged.

[10.3] COMMODITY PRICE RISK

The RKW Group is exposed to market price changes in the commodities sector. In particular, there is a risk that market price changes from energy and raw material procurement cannot be fully passed on in sales prices. These risks are constantly monitored. Risks from commodity price fluctuations are hedged to a small extent. There are no commodity price hedges as at December 31, 2023.

The RKW Group partially hedges energy price risks through forward procurement, which results in physical delivery for its own use.

[10.4] CREDIT RISK

A credit risk exists if a business partner is unable to fulfil its obligations from an original or derivative financial instrument, resulting in a loss of assets for the RKW Group. The customer portfolio is subject to regular credit checks. In addition, more than half of the outstanding trade receivables are subject to credit risk. The amounts recognised under assets represent the maximum default risk without taking into account reimbursement claims from credit insurance. There are no significant concentrations of credit risk beyond those customary in the industry. An overview of trade receivables that are not yet due, overdue and impaired is shown under [8.8].

[10.5] LIQUIDITY RISK

Liquidity risks consist of potential financial bottlenecks, which can lead to increased financing costs and more difficult refinancing. The aim of the RKW Group's liquidity management is to ensure solvency at all times by maintaining sufficient liquidity reserves and committed bank credit lines. As at the reporting date, the RKW Group had unutilised bank credit lines amounting to €21,620 thousand (previous year: €40,616 thousand).

The following table shows the contractually agreed, undiscounted cash flows of the primary and derivative financial liabilities. This does not include leases, which can be found in the table at the end under [8.19]. The variable interest payments from the financial instruments were calculated on the basis of the most recent interest rates and yield curves determined before December 31, 2023.

in k EUR	Carrying amount	Cashflows 2024		Cashflows 2025	
	31.12.2023	Interest	Redemption	Interest	Redemption
Original financial liabilities					
Liabilities to banks	132,050	8,495	41,571	3,942	90,479
Other financial liabilities	114,736	0	114,736	0	0
Derivative financial liabilities					
Derivatives without hedge accounting	0	0	0	0	0
Interest derivatives with hedge accounting	313	0	313	0	0
in k EUR		Cashflows 2026		Cashflows 2027ff	
		Interest	Redemption	Interest	Redemption
Original financial liabilities					
Liabilities to banks		0	0	0	0
Other financial liabilities		0	0	0	0
Derivative financial liabilities					
Derivatives without hedge accounting		0	0	0	0
Interest derivatives with hedge accounting		0	0	0	0
in k EUR	Carrying amount	Cashflows 2023		Cashflows 2024	
	31.12.2022	Interest	Redemption	Interest	Redemption
Original financial liabilities					
Liabilities to banks	199,599	9,665	67,359	7,200	38,720
Other financial liabilities	112,288	0	112,288	0	0
Derivative financial liabilities					
Derivatives without hedge accounting	0	0	0	0	0
Interest derivatives with hedge accounting	0	0	0	0	0
in k EUR		Cashflows 2025		Cashflows 2026ff	
		Interest	Redemption	Interest	Redemption
Original financial liabilities					
Liabilities to banks		3,890	93,480	0	0

in k EUR	Cashflows 2025		Cashflows 2026ff	
	Interest	Redemption	Interest	Redemption
Other financial liabilities	0	0	0	0
Derivative financial liabilities				
Derivatives without hedge accounting	0	0	0	0
Interest derivatives with hedge accounting	0	0	0	0

[10.6] CAPITAL MANAGEMENT

The aim of capital (equity) management at RKW is to achieve a good adequate return on capital compared to the rest of the industry. At the same time, the Group aims to maintain a good bank credit rating in the investment grade range to support its business activities.

The Group equity ratio as at the balance sheet date was 24.4% (previous year: 28.8%). RKW Holding is not subject to any statutory capital requirements.

[11] NOTES TO THE CASH FLOW STATEMENT

In accordance with IAS 7, the consolidated cash flow statement is divided into cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. These areas explain the origin and utilisation of cash flows in the Group. Cash and cash equivalents in the cash flow statement include bank balances and cash in hand. There is a restriction on the use of fixed-term deposits to secure the partial retirement provision. However, the fixed-term deposit was not recognised in cash and cash equivalents but netted against the provision.

The cash flow from operating activities was calculated using the indirect method. Cash flow from operating activities includes interest payments received totalling €2,266 thousand (previous year: €83 thousand), interest payments made totalling €11,336 thousand (previous year: €4,545 thousand) and income tax payments made totalling €4,365 thousand (previous year: €13,279 thousand).

Non-cash expenses and income are mainly attributable to reversals of and additions to provisions as well as value adjustments on receivables.

Cash flows from financing activities are classified as follows:

in k EUR	31.12.2022	cash effective			Non-cash		31.12.2023
		Deposits	Payment of redemption	Payment of interest	New leasing contracts	Other	
Liabilities to banks	199,559	5,753	-68,892	0	0	--4,370	132,051
Lease liabilities	27,247	0	-8,869	-974	8,358	1,485	27,247
Total financing	226,806	5,753	-77,761	-974	8,358	-2,885	159,297

in k EUR	31.12.2021	cash effective			Non-cash		31.12.2022
		Deposits	Payment of redemption	Payment of interest	New leasing contracts	Other	
Liabilities to banks	187,946	62,716	-56,793	0	0	5,689	199,559
Lease liabilities	25,808		-8,501	-425	9,931	434	27,247
Total financing	213,754	62,716	-65,293	-425	9,931	6,123	226,806

The other non-cash amounts mainly include compounding (leasing) and exchange rate changes (liabilities to banks).

[12] OTHER FINANCIAL OBLIGATIONS

As at December 31, 2023, there are other purchase obligations for the following year amounting to €8,388 thousand (previous year: €18,619 thousand) from purchase commitments and €0 thousand (previous year: €24,437 thousand) from energy supply contracts due to changed contracts in 2023.

[13] RELATIONSHIPS TO RELATIONSHIPS WITH PERSONS AND COMPANIES

Related companies and persons are those companies and persons that are in a position to directly or indirectly control the other party or exercise significant influence over the party or jointly control it.



RKW Holding S.a r.l. considers the members of the Management Board of RKW Holding S.à r.l. to be key management personnel. These consist of:

- Hans-Phillip Müller (CEO)
- Raphael Müller (CEO)
- Georg Eric Peters
- Martin Riant
- Gerard Blatrix, CEO SAS Consultix
- Thomas Cochran, CEO TCC Insights LLC

Related parties also include the shareholders HJM Investments and their shareholders as well as Mrs Helga de Alvear and the members of the Management Board of the RKW SE Group:

- Eric Le Lay, MBA HEC School of Management, Ingenieur UTC France, CEO since November 6, 2023
- Peter Baumgartner, Dipl.-Ingenieur, CEO until November 5, 2023
- Marco Goetz, Dipl.-Kaufmann, CTO until 31 March 31, 2024
- Corrado Piroli, Diploma business administration, CFO since January 1, 2023

The members of the Management Board and the shareholders were granted short-term benefits totalling €935 thousand (previous year: €1,465 thousand) as total remuneration for the financial year 2023.

There are non-current liabilities to the shareholders HJM Investments and Mrs Helga de Alvear amounting to €1,820 thousand (previous year: €1,820 thousand).

[14] EVENTS AFTER THE BALANCE SHEET DATE

An unneeded plot of land at Gronau, site of RKW SE, was sold in February 2024. The purchase price of around €2.0 million has already been collected.

In order to strengthen its own liquidity position, RKW SE signed a sale and leaseback agreement for the land and buildings at the Echte, Petersaurach and Wasserburg sites in March 2024 in the amount of €60 million. At the same time as the sale, long-term rental agreements of over 20 years and respective extension options to 30 years were concluded with the buyer. The transfer of ownership will take place successively over the next few months. Part of the cash inflow from the sale will be used to repay bank liabilities.

Marco Götz, member of the Board of management of RKW SE, withdrew the company per March 31, 2024.

Luxembourg, June 21, 2024

RKW Holding S.à r.l.

The Board of Management

Raphael Müller

Hans-Phillip Müller

Management Report for the financial year 2023

1. Fundamentals of RKW Group

RKW Holding S.à r.l. (hereinafter "Holding"), with its registered office at 4 Rue Heinrich Heine, L-1720 Luxembourg, was founded on September 20, 2019. Its main purpose is to hold the shares in RKW SE Group (RKW SE and its subsidiaries, hereinafter "RKW Group" or "Group"), 94.8% of which were acquired on October 1, 2019.

The Executive Management Board of RKW SE is responsible for the operational management of RKW Group as well as its administration, control and monitoring of Group-wide activities. This also includes risk management and the allocation of financial resources.



RKW Holding S.à r.l. reviews and approves the Group's financial planning. The Group is financed centrally via RKW SE. It is responsible for communication with the banks.

1.1. Business model of RKW Group

RKW Group is one of Europe's leading manufacturers of polyethylene and polypropylene films as well as nonwovens and nets. RKW Group has sites in Germany in Mannheim, Michelstadt, Petersaurach, Echte, Wasserburg, Nordhorn and Gronau, which are managed as branch offices. RKW Group also operates legally independent subsidiaries in, Belgium, Finland, France, Sweden, Vietnam, the USA and China. With the exception of the headquarters in Mannheim, the branches and subsidiaries each have production and sales operations. RKW Group currently employs around 2,900 people.

RKW Group is organized in a functional matrix with two operating units, Sales and Operations, as well as so-called Supporting Functions. The main areas are

- Sales, Marketing & Product Development
- Operations & Logistics
- Support functions such as IT, Purchasing, Finance, Human Resources and Legal/Compliance

In order to further improve proximity to markets and customers, the Sales, Marketing & Product Development division is divided into four product segments and sales regions. In this context, product segments refers to the categorization of products according to different markets and is therefore not to be equated with the definition of segments in accordance with IFRS 8.

(1) The "Hygiene" product segment comprises the manufacture of:

- Standardized, breathable and elastic films (printed and unprinted)
- Perforated films and laminates (films and nonwovens)
- Tapes
- Elastic and non-elastic components
- Medical and wound care films and laminates and
- Spunbonded nonwovens and hydroentangled spunbonded nonwovens

With the development of this wide range of films and nonwovens, RKW Group has established itself as a leading supplier of innovative hygiene products.

(2) The "Consumer Packaging" product segment is divided into the manufacture and supply of:

- Multipack: Printed and unprinted shrink films for outer packaging / multipacks
- Consumer packaging: Laminating films, FPO, liners, earth film, Aprta films, compounds and
- Household: Bin liners, shipping bags, freezer bags

RKW multipack films are supplied to well-known companies in the food and beverage industry all over the world and the multipack shrink films in particular are designed for packaging all types of bottles and containers, regardless of size and material.

(3) The "Industrial Solutions" product segment specializes in the production of individual packaging for industrial applications for transport and pallet protection. In particular, the segment covers the following areas:

- Industrial packaging: Bags (FFS, RKW ProVent), shrink films and stretch bonnets, release liners
- Technical films: Surface protection films, embossing films, labelling films, Trikoron barrier films, roof underlays as well as
- Nonwovens: RKW Fruit Pad, spunbonded and hydroentangled spunbonded nonwovens

(4) The "Agriculture" product segment focuses on high-quality film and round bale netting solutions for the agricultural sector and offers system solutions for agriculture, the forestry industry and horticulture:

- Silage, barrier, underlay and sidewall films
- Silage and grain hoses



- Round bale nets and round bale films
- Pallet nets
- Greenhouse films, early harvest films, mulch films
- Disinfectant films
- Plant protection fleece

RKW Group's diverse and broad customer and product segments help to ensure stability are resilient and adaptable to different market trends and economic fluctuations.

The main sales market for RKW Group is Europe, although the North American market also plays an important role. Other regions and countries are also supplied from the aforementioned locations.

Important external factors influencing the net assets, financial position and results of operations include raw material prices for polyethylene and polypropylene as well as customer demand, which is partly influenced by the overall economic development and situation. The regulation of certain plastics, particularly in the area of consumer packaging, can also have an impact on our business.

Both sales (in tonnes) and EBITDA (operating result plus depreciation and amortization) serve as key financial performance indicators for managing RKW Group. Non-financial indicators include occupational safety (LTIFR), delivery reliability (OTIF) and the complaint rate. We also analyze EBITDA adjusted for special effects.

1.2. Research and development (unaudited)

Each segment in RKW Group has its own development teams. Development work is mainly focused on new and further user-related developments of plastic films and nonwovens.

Specific customer requirements are sometimes taken into account during development. On the other hand, RKW anticipates future needs, develops innovative products and thus sets market trends. Research and development expenses amounted to MEUR 2.9 in 2023 (previous year: MEUR 3.6).

Our research and development work is increasingly focusing on the topic of sustainability, as this is of growing importance to RKW's end users and customers. Within this area, RKW has established a positive reputation with its customers. We continuously strive for innovations in our processes in order to improve quality, increase efficiency and optimize cost structures. In addition to reducing the use of materials and avoiding waste, we are working on further advances through the integration of new types of materials and the increased use of recycled materials.

2. Economic report

2.1. Macroeconomic and sector-specific framework conditions

Geopolitical events, such as the escalation in the Middle East and the associated difficulties in supply chains, the Russian war against Ukraine and ongoing tensions between the USA and China, also had a negative impact on global economic development this year. This led to an exceptionally weak trend in global industrial production and, as a result, weaker demand for film solutions.

Following the International Monetary Fund (IMF), global gross domestic product (GDP) growth will once again fall slightly from 3.5% in 2022 to 3.1% in 2023. According to forecasts, global gross domestic product will remain constant at 3.1% in 2024 and rise almost unchanged to 3.2% in 2025 (source: "World Economic Outlook Update, January 2024", International Monetary Fund).

Within the Eurozone, GDP growth fell to a level of 0.5% in 2023 (previous year: 3.4%). However, the IMF expects a slight increase to 0.9% again in 2024.

In the United States, economic growth improved from 2.0% in 2022 to 2.5% in 2023. However, according to the IMF's forecast, this increase will flatten out again slightly to 2.1% in 2024, as the effects of monetary tightening will slow overall demand (source: "World Economic Outlook Update, January 2024", International Monetary Fund).

According to the Federal Statistical Office, the price-adjusted development of gross domestic product (GDP) in Germany was -0.3% in 2023 (previous year: +1.9%). The overall economic situation in Germany was characterized by a high inflation rate, particularly because of the various geopolitical tensions, high refinancing costs and the associated decline in industrial production as well as the deterioration in private consumer sentiment.

The economic trend of the German Plastics Packaging Industry Association shows a slight increase in turnover, exports and the economic situation at the end of the fourth quarter of 2023, which will continue in the first months of 2024.

2.2. Business performance

Against the backdrop of the generally strained international and national economic development and the weak development within the plastics industry, demand for film solutions fell in 2023. In this difficult market environment, RKW's business performance largely fell short of expectations: sales volume (in tonnes) and sales decreased in comparison to last financial year.

Group sales volume was down at 281,618 tonnes in the 2023 financial year (previous year: 322,761 tonnes) respectively -12.7%. The forecast given in the previous year's management report of a year-on-year increase in sales of approx. 2.0% to 3.0% was not fulfilled due to the described weak market environment in 2023.

The sales volume compared to the previous financial year for each product segment are shown below:

in tonnes	2023	2022	Variance absolute	Variance %
Hygiene	73.689	80.573	-6.884	-8,5%
Consumer Packaging	111.010	113.726	-2.716	-2,4%
Industrial Solutions	56.663	69.381	-12.718	-18,3%
Agriculture	40.256	59.082	-18.826	-31,9%
Tonnes total	281.618	322.761	-41.144	-12,7%

These developments led to a decline in sales of -19.9% to MEUR 799.8 in the 2023 financial year (previous year: MEUR 998.6). All product segments are behind the sales forecast for 2023 due to the economic situation:

in KEUR	2023	2022	Variance absolute	Variance %
Hygiene	247.085	277.567	-30.482	-11,0%
Consumer Packaging	270.781	307.446	-36.665	-11,9%
Industrial Solutions	169.387	234.887	-65.501	-27,9%
Agriculture	112.532	178.664	66.131	-37,0%
Sales total	799.784	998.563	-198.779	-19,9%

- Hygiene product segment: Due to the declining purchasing power of private households and the strong cost awareness of end consumers, demand for cheaper "own brands" continued, leading to a decline in sales for premium manufacturers.
- Consumer Packaging product segment: The declining purchasing power of households also led to purchasing delays in this segment and increased demand for cheaper alternative products.
- Industrial Solutions product segment: Sales in the construction industry were still at a low level due to persistently high interest rates and continuing high construction costs. The sales of our customers in the chemical industry also suffered from the weak market environment.
- Agriculture product segment: Our customers were only able to pass on the increased costs to end customers to a limited extent. Economic uncertainty also dampened the willingness to invest. In some cases, demand was also characterized by excess storage capacity, which had a negative impact on our sales.

Sales prices to major RKW customers are closely linked to the development of the Low-Density Polyethylene (LDPE) price indices. For transactions without long-term contractual clauses, prices are continuously adjusted to the level of the most important raw material indices. Compared to the previous year, the purchase price for polyethylene LDPE Europe fell by an average of 22.8%. In a year-end comparison, there was a price reduction for LDPE Europe of 13.8% compared to the end of 2022.

The Executive Management Board had expected an EBITDA for 2023 amounting to approx. MEUR +50. With EBITDA of MEUR +28.3, the expectations of the Executive Management Board were not met. However, through consistent cost management and initiated countermeasures, it was possible to significantly reduce both variable and one-off costs in the financial year 2023. Based on these savings RKW achieved an improvement of the EBITDA for MEUR +7.5 respectively +36.3 % compared to the previous year.

Adjusted for the special items described below, the company achieved an EBITDA - adjusted - (not audited) of MEUR +30.4 (previous year: MEUR +44.1).

The restructuring of RKW North America continued in 2023. The expansion of the production facilities led to an expansion of the product portfolio in the Hygiene product segment as the already in 2022 transferred production machinery reached their operational readiness in 2023. In 2023, COVID aid of MEUR 2.5 was received from the US government for 2021.

The closure of our plant in Egypt was almost completed in the 2023 financial year after the production facilities transferred to the German sites in Petersaurach and Wasserburg and to our American site in Kentucky in 2021 were installed in the previous financial year. RKW Egypt Ltd. sold the land and building for a purchase price of MUSD 4.5 under an agreement dated April 4, 2023. The production buildings, which were abandoned in 2021 and are now empty, were sold, along with a small amount of machinery and office equipment. The purchase price was paid in full by the end of June 2023. The transfer of ownership is expected to take place in mid-2024 following entry in the local land register. The location costs incurred in 2023 for the administration of the non-operating Egyptian company therefore fell to MEUR 0.6 (previous year: MEUR 0.8)

In 2014, RKW established a plant in China to supply hygiene films to a strategic international customer in the Guangzhou region. The city of Guangzhou, located in the coastal province of Guangdong, falls under the Chinese government's "Greater Bay Plan", which aims to further develop the southern Chinese region. As part of this plan, RKW is obliged to close the Guangzhou site by August 2024. Due to other factors - unfavorable prospects in the Chinese hygiene market and strong local competition - RKW Executive Management Board decided in February 2022 to close the site there by the end of August 2024 and withdraw from China. RKW SE and RKW North America have taken over a small part of the machinery for targeted production expansion. The majority of the Chinese production facilities were sold to a local interested party for MCNY 60 (approx. MEUR 8.0) at the beginning of August 2023, with the transfer of ownership not taking place until the end of November 2023.

The purchase price was or will be paid in four agreed purchase price installments:

1. 30% or MCNY 18 on August 2, 2023
2. 50% or MCNY 30 on November 24, 2023
3. 10% or MCNY 6 on February 28, 2024
4. 10% or MCNY 6 by June 30, 2024 at the latest

In total, the closure of the Chinese location had a negative impact of MEUR 2.2 on Group earnings in the 2023 reporting year (previous year: MEUR 1.7). This is offset by income of MEUR 5.3 from the sale of assets described above.

Various transformation projects and the resulting process improvement initiatives resulted in exceptional charges of MEUR 2.7 and MEUR 2.9 from other smaller projects reported. Both were reported under other operating expenses.

RKW SE was the target of a cyberattack in October 2022. Discussions on the amount of insurance compensation were concluded in 2023 and a corresponding insurance compensation of MEUR 1.0 was received.

The investment volume in the 2023 financial year totaled MEUR 37.3, of which MEUR 36.3 was invested in property, plant and equipment, including the asset classes technical equipment and machinery (MEUR 10.9), advances paid / construction in progress (MEUR 14.1), mainly for the expansion of machinery and modernization of production facilities) and right-of-use assets (MEUR 8.4).

2.3. Financial performance indicators

2.3.1. Results

in k EUR	2023	2022	Variance absolute	Variance % %p
Sales	799.784	998.563	-198.778	-19,9%
Sales -adjusted-	802.356	1.002.285	-199.928	-19,9%
Change in finished goods and work in progress	-17.545	-12.506	-5.040	40,3%
Total operating performance	782.239	986.057	-203.818	-20,7%
Total operating performance -adjusted- (not audited)	784.811	989.779	-204.968	-20,7%
Material costs	-491.258	-663.435	172.177	-26,0%
Gross margin	290.981	322.622	-31.640	-9,8%
in % of Total operating performance	37,2%	32,7%		4,5%
Gross margin -adjusted- (not audited)	293.553	326.344	-32.790	-10,0%
in % of Total operating performance -adjusted- (not audited)	37,4%	33,0%		4,4%
Other operating Income	20.228	7.162	13.066	182,4%
Personnel expenses	-174.389	-175.503	1.115	-0,6%
Other operating expenses	-108.514	-133.519	25.005	-18,7%
EBITDA	28.307	20.762	7.545	36,3%
in % of Total operating performance	3,6%	2,1%		1,5%
EBITDA -adjusted- (not audited)	30.446	44.147	-13.701	-31,0%
in % of Total operating performance -adjusted- (not audited)	3,9%	4,5%		-0,6%
Depreciation and amortization	-72.279	-72.330	51	-0,1%
Operating Result	-43.972	-51.568	7.597	-14,7%

in k EUR	2023	2022	Variance absolute	Variance % %p
in % of Total operating performance	-5,6%	-5,2%		-0,4%
Operating Result -adjusted- (not audited)	-8.266	9.384	-17.650	>-100,0%
in % of Total operating performance -adjusted- (not audited)	-1,1%	0,9%		-2,0%
Financial Result	-16.600	-5.582	-11.018	197,4%
Financial Result -adjusted- (not audited)	-19.172	-9.304	-9.868	106,1%
Group Result before taxes	-60.572	-57.150	-3.421	6,0%
Group Result before taxes -adjusted- (not audited)	-27.438	80	-27.518	>-100,0%
Taxes	944	-6.349	7.293	>-100,0%
Group Result	-59.628	-63.499	3.872	-6,1%
in % of Total operating performance	-7,69	-6,4%		-1,2%
Group Result -adjusted- (not audited)	-26.494	-6.269	-20.225	>-100,0%
in % of Total operating performance -adjusted- (not audited)	-3,4%	-0,6%		-2,7%

Sales of MEUR 799.8 were generated in the reporting period (previous year: MEUR 998.6). This corresponds to a decrease of MEUR 198.8 or 19.9%.

Sales include sales deductions of MEUR 9.2 (previous year: MEUR 11.1). The sales - adjusted - exclude cash discount expenses ("financial customer discounts") amounting to MEUR 2.6 (previous year: MEUR 3.7), which are reported in the financial result - adjusted - (unaudited). Changes in inventories of work in progress and finished goods increased by MEUR -5.0 compared to the previous year.

The cost of materials fell by MEUR 172.1 from MEUR 663.4 to MEUR 491.3. This was due to the lower volume of raw materials purchased and the falling LDPE index. As an energy-intensive group, energy costs increased by MEUR 17.2 in the financial year, which counteracted the reduction in raw material costs.

As a result, the gross margin fell by MEUR -31.6 in absolute terms compared to the previous year, but in relative terms, a significant gross margin improvement of 4.5%/points to 37.2% was achieved compared to the previous year.

Other operating income increased by MEUR 13.0 from MEUR 7.2 to MEUR 20.2. This increase is mainly driven by income from the disposal of property, plant and equipment of our plant in Guangzhou in the amount of MEUR 5.3 and in the amount of MEUR 2.9 in connection with a waiver of receivables from a Group company. The corresponding expense entry is reported under other operating expenses.

Personnel expenses fell slightly by MEUR 1.1 or 0.6% to MEUR 174.4 (previous year: MEUR 175.5). This development is mainly due to the reduction in the average number of employees from 2,981 by 107 to 2,873.

In the 2023 financial year, other operating expenses fell significantly by MEUR 25.0 to MEUR 108.5. Due to the extensive reduction of extraordinary expenses in connection with the closure of our plant in Egypt, a profit improvement of MEUR 10.2 has occurred. Further improvements in profitability stem from lower freight and transportation costs amounting by MEUR 10.7, reduced maintenance expenses by MEUR 4.8 and a MEUR 4.5 reduction in expenses for transformation consulting costs. This is offset by increased expenses in connection with refinancing and various smaller consulting projects of MEUR 2.5 and higher expenses in connection with additions to other provisions of MEUR 6.2, whereby an increase of MEUR 2.9 is attributed to a waiver of receivables from a Group Company. The corresponding income entry is reported under the operating income. Further increased allocations to other provisions relates in the amount of MEUR 1.3 to higher provisions for outstanding invoices not yet received and in the amount of MEUR 1.0 to restructuring costs for the Chinese business.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by MEUR 7.5 or +36.3% to MEUR 28.3 (previous year: MEUR 20.8). Adjusted for the special effects listed below, EBITDA -adjusted - (unaudited) fell by MEUR 13.7 or 31.0% to MEUR 30.4 (previous year: MEUR 44.1):

in KEUR	2023	2022
EBITDA incl. one-offs	28.307	20.762
RKW Egypt: Plant transfer and closure costs	600	10.821
RKW China: Closure costs	2.200	1.710
Transformation projects	2.660	7.204



in KEUR	2023	2022
Project expenses for refinancing and other smaller projects	2.905	382
Income from the disposal of non-core assets (RKW HydroSpun GmbH)	0	-455
Income from insurance compensation for cyberattack in 2022	-1.000	0
US-Government grant "COVID" related to 2021	-2.475	0
RKW China: Income from the disposal of assets	-5.323	0
Total one-offs	-433	19.662
EBITDA excl. one-offs	27.874	40.424
Financial Customer Discounts	2.572	3.722
EBITDA -adjusted- (not audited)	30.446	44.147
Depreciation and amortization	-72.279	-72.330
Adjustment for PPA reversal effects and impairment	33.567	37.567
Operating Result -adjusted- (not audited)	-8.266	9.384

Depreciation and amortization amounted to MEUR 72.3 in the reporting year (previous year: MEUR 72.3) and includes impairment losses of MEUR 0.2 on fixed assets (previous year: MEUR 1.3). The amortization from the purchase price allocation ("PPA") in the amount of MEUR 33.4 (previous year: MEUR 32.1) and the impairment losses are neutralized as a special effect in the operating result - adjusted - (unaudited), as in the previous year.

The financial result deteriorated by MEUR 11.0 to MEUR -16.6. This development is partly due to higher income in connection with interest rate swaps. This amounted to MEUR 2.4 in the reporting year, an increase of MEUR 1.5 on the previous year. On the other hand, the financial result was negatively impacted by higher interest expenses relating to pension provisions (MEUR 1.3), increased currency losses (MEUR 3.8) and a MEUR 6.4 increase in interest expenses to banks. The adjusted financial result (unaudited) includes financing costs ("financial customer discounts") amounting to MEUR 2.6 (previous year: MEUR 3.7).

Including the financial result, a consolidated group result before taxes amounted to MEUR -60.6 was achieved (previous year: MEUR -57.2). Taking into account tax income of MEUR 0.9 (previous year: tax expense of MEUR 6.3), the group result therefore amounted to MEUR -59.6 (previous year: MEUR -63.5). The adjusted consolidated group result - adjusted - (unaudited) amounted to MEUR -26.5 (previous year: MEUR -6.3).

2.3.2. Total assets

As at the reporting date, assets had decreased by MEUR 124.1 from MEUR 676.2 to MEUR 552.0 compared to the previous reporting date:

in KEUR	2023	2022	Variance absolute	Variance %
Intangible assets	32.659	47.846	-15.187	-31,7%
Tangible assets	204.196	223.886	-19.690	-8,8%
Inventory	120.557	146.734	-26.177	-17,8%
Trade receivables	82.475	125.793	-43.318	-34,4%
Receivables from income tax and deferred tax assets	25.150	24.488	662	2,7%
Cash and cash equivalents	59.978	77.118	-17.140	-22,2%
Other receivables and assets	27.014	30.301	-3.287	-10,8%
Total assets	552.029	676.166	-124.137	-18,4%

In addition to scheduled amortization of intangible assets and tangible assets, this development was due in particular to lower inventories and receivables. This development is due to lower raw material prices on the one hand and lower sales on the other hand.

RKW Group also made significant investments in machinery and equipment in 2023. As in previous years, investments in modern IT systems were continued, mainly to support process improvements.

RKW Group's additions to fixed assets mainly related to property, plant and equipment for an amount of MEUR 36.3 (previous year: MEUR 52.0). Of this amount, MEUR 14.1 was attributable to assets under construction, MEUR 11.7 to technical equipment and other machinery, MEUR 2.1 to land and buildings, MEUR 4.9 to rights of use for rental agreements for land and buildings and MEUR 3.5 to operating and office equipment.

Investments in intangible assets amounted to MEUR 1.0 (previous year: MEUR 0.3).

RKW Group had investment obligations of MEUR 7.8 (previous year: MEUR 12.4) as at the balance sheet date. These mainly relate to the expansion and modernization of our capacities. Financing is provided from own funds and existing credit lines.

Overall, RKW Group reports property, plant and equipment amounting to MEUR 22.6 (previous year: EUR MEUR 25.8), which includes restrictions on rights of disposal.

Working capital (without considering foreign exchange results after statement of cashflows logic) fell to MEUR 94.8 as at December 31, 2023 (previous year: MEUR 168.4):

	2023	2022	Variance absolute	Variance %
in KEUR				
Inventory	120.557	146.734	-26.177	-17,8%
Trade receivables	82.475	125.793	-43.318	-34,4%
Trade payables	-108.210	-104.118	-4.092	3,9%
Working capital	94.822	168.408	-73.586	-43,7%

All components of inventories, trade receivables and trade payables decreased year-on-year due to falling raw material prices. In relation to sales, the capital tied up in working capital decreased to 43 days (previous year: 61 days).

2.3.3. Total equity and liabilities

RKW Group's equity ratio as at December 31, 2023 was 24.4% (previous year: 28.8%):

	2023		2022		Variance absolute	Variance %
in KEUR						
Equity	128.807	23%	185.632	27%	-56.825	-30,6%
Non-controlling interests	6.041	1%	9.117	1%	-3.076	-33,7%
Accruals and provisions	77.277	14%	72.644	11%	4.633	6,4%
Liabilities	339.904	62%	408.773	60%	-68.869	-16,8%
Total equity and liabilities	552.029	100%	676.166	100%	-124.137	-18,4%

With effect from October 1, 2019, RKW Holding S.à r.l. holds the majority of shares in RKW SE and its subsidiaries. RKW Holding S.à r.l. is the ultimate controlling company.

The development of equity is as follows:

in KEUR	Attributable to the owners of the parent company					Equity
	Subscribed capital	Capital reserves	Revenue reserves	Other changes in equity	Retained earnings	
31.12.2022	25	261.555	88	21.073	-97.109	185.632
Total comprehensive income				-258	-56.566	-56.824
31.12.2023	25	261.555	88	20.815	-153.675	128.807

in KEUR	Non-controlling Interests	Total group equity
31.12.2022	9.117	194.749
Total comprehensive income	-3.076	-59.900
31.12.2023	6.041	134.848

RKW Group continues to be well financed and has a solid financing structure, not least due to its continued long-term debt financing:

in KEUR			Maturity < 1 Year		Maturity > 1 Year	
	2023	2022	2023	2022	2023	2022
Liabilities to banks	132.050	199.559	41.571	67.359	90.479	132.199
Trade payables	108.210	104.118	108.210	104.118	0	0
Income tax and deferred tax liabilities	43.312	49.106	1.672	4.500	41.640	44.606
Liabilities to shareholders	2.054	1.877	165	48	1.889	1.829
Other financial liabilities	31.335	33.539	13.264	14.215	18.071	19.324
Other liabilities	22.943	20.574	22.416	19.839	527	735
Total liabilities	339.904	408.773	187.298	210.080	152.606	198.694

Liabilities to banks have decreased by MEUR 67.5 compared to the previous year. Trade payables amount to MEUR 108.2 and primarily include deliveries of raw materials that are not yet due for payment. Non-current tax liabilities mainly relate to deferred taxes on the acquisition of RKW SE Group in 2019. Other financial liabilities mainly include liabilities from leases and bonus credits for customers. Other liabilities mainly consist of personnel-related liabilities and liabilities from indirect taxes. Most of the total liabilities are denominated in EUR. Other notable liabilities are denominated in USD.

Net interest-bearing liabilities amounted to MEUR 98.6 at the end of the year (previous year: MEUR 149.7). With the exception of liabilities to banks and liabilities from leases, the liabilities are not subject to any interest. The interest on liabilities to banks consists of a fixed and a variable component.

There are other purchase obligations for the following year amounting to MEUR 8.4 (previous year: MEUR 18.6) from purchase commitments and purchase obligations from energy supply contracts amounting to MEUR 0 (previous year: MEUR 24.4).

2.3.4. Statement of cashflows

in KEUR	2023	2022	Variance absolute
Group result	-59.628	-63.499	3.871
Depreciation and amortization	72.279	72.330	-51
Other non-cash income and expenses	-4.214	-4.103	-111
Change in working capital	76.117	20.670	55.448
Change in other balance sheet items	-7.542	-8.808	1.266
Cashflows from operating activities	77.013	16.590	60.423
Cashflows from investing activities	-29.980	-46.746	16.766
Cashflows from financing activities	-63.649	27.354	-91.004
Net change in cash and cash equivalents	-16.617	-2.802	-13.815

Cashflows from operating activities improved significantly by MEUR +60.4 compared to the previous year. This was due to a slight improvement in consolidated net profit of MEUR +3.9 as well as very positive effects on working capital. On the one hand, inventories, trade receivables and trade payables were significantly reduced because of price reductions on the procurement side. On the other hand, numerous internal process improvements led to efficient management of working capital and thus to an improvement in the liquidity position from operating activities.

Cashflows from investing activities mainly includes payments for investments in intangible assets (MEUR 1.0) and property, plant and equipment (MEUR 36.3). This is offset by incoming payments from asset disposals amounting to MEUR 7.3 in 2023.

Cash flow from financing activities decreased by MEUR 91.0 from MEUR +27.4 to MEUR -63.6 as a result of a net repayment of financial liabilities of MEUR 63.7 (previous year: net borrowing of financial liabilities of MEUR 7.3) and the owners' contribution of MEUR 20 to the capital reserve in the previous financial year 2022.

As of December 31, 2023, RKW Group had cash and cash equivalents of MEUR 60.0 (previous year: MEUR 77.1), and unused cash credit lines for MEUR 21.6 (previous year: MEUR 40.6). Also considering the discounting capabilities resulting from the "Supply Chain Finance program" offered by one of the Group's main customer, and the MEUR 11.8 availability remaining under the factoring facility granted to RKW SE, there are sufficient unused and available credit facilities to ensure the Group's solvency at any time in 2023 and in future. In 2023, the Group did not ask for any financing under a government aid program.

2.4. Non-financial performance indicators

2.4.1. Personal

RKW Group ensures long-term business success with motivated, experienced and well-trained employees. The basis for this lies in good vocational training, which RKW carries out itself wherever possible.

The average number of employees for the year was 2,806 (excluding trainees), a slight decrease on the previous year (2,903). The number of trainees remained at a very high level with an annual average of 67 or 2.3% of all employees (previous year: 78).

Average number of employees over the year:

Average number of employees over the year	2023	2022	Variance absolute	Variance % %p
Germany	1.429	1.519	-90	-5,9%
Europe without Germany	723	727	-4	-0,5%
Asia	581	584	-3	-0,5%
North-America	140	145	-5	-3,4%
North-Africa	0	6	-6	-100,0%
Total average number of employees over the year incl. apprentices	2.873	2.981	-108	-3,6%
Trainees	67	78	-11	-14,1%
in % of total average number of employees over the year incl. apprentices	2,3%	2,6%		-0,3%
Total average number of employees over the year excl. apprentices	2.806	2.903	-97	-3,3%

2.4.2. Safety at work

The continuous improvement in occupational safety, measured by the Lost Time Injury Frequency Rate (LTIFR; accidents per 1 million hours), is another performance indicator in the area of human resources. Since 2015, we have recorded a significant reduction in accidents at work. Due to the establishment of a Group-wide system, accidents are analyzed, occupational safety measures are taken, work permits are applied for and checked and employees receive regular training. Suitable measures are also taken to ensure continuous improvement of safety in the workplace. In RKW Group, the LTIFR fell significantly by 1.0 to 3.0 compared to the previous year (4.0). The reason for this positive development was the continuous sensitization of potential hazards and mandatory training measures for plant and shift managers as well as operations managers as part of the RKW Safety Academy.

2.4.3. Sustainability (unaudited)

Strengthening the circular economy is an important lever for giving plastics a sustainable future: by utilizing this valuable raw material as efficiently as possible and by consistently expanding plastics recycling.

RKW Group is committed to its responsibility towards society and the environment. This is also reflected in the company's purpose: "With our sustainable film solutions, we enable our customers to improve the daily lives of consumers around the world." In addition, RKW Group has set itself ambitious sustainability goals and is continuously working to make its contribution to a sustainable future. The company already achieved the "Strategy 2025" target of reducing Scope 1+2 GHG emissions (2017 baseline) by 50.0% in 2020. For this reason, RKW Group committed to the Science Based Targets Initiative (SBTi) at the end of 2022. As part of the SBTi, the company will set new targets for Scope 1, 2 and 3 in order to achieve the goals of the Paris Climate Agreement. RKW Group's sustainability strategy is based on the ESGs (environmental, social and governance) and the 17 areas of action of the United Nations, the Sustainable Development Goals (SDGs).



For our activities in the area of sustainability, we would like to refer you to our Sustainability Report 2022 (unaudited) published on our corporate website under <https://sustainability.rkw-group.com/>.

2.4.4. Customer satisfaction / quality (unaudited)

Customer satisfaction and product quality are very important to RKW. We use targeted measures to improve both the quality of our products and delivery reliability. Complaint rates and delivery reliability (OTIF) are measured. These key figures have been introduced to track performance. They are maintained and tracked at all operational levels. The complaints rate was 0.3% in the reporting year, which represents a slight increase on the previous year of 0.2%p. The OTIF delivery reliability is over 90%.

3. Risk, opportunity and forecast report

3.1. Risk report

3.1.1. Risk management

The aim of RKW Group's company-wide risk management process is to minimize potential threats and maximize opportunities in order to protect the assets, reputation and interests of stakeholders. RKW aims to achieve this by proactively identifying and assessing risks, implementing effective controls and mitigation strategies, and promoting a culture of risk awareness and responsibility throughout the organization. Our ultimate goal is to ensure the sustainable success and resilience of RKW Group in a constantly changing and uncertain business environment.

RKW defines opportunities as potential successes that go beyond the defined objectives, while risks are all events that could have a negative impact on the achievement of RKW's short-term operational or medium-term strategic objectives.

In 2023, RKW Group revised its approach to the risk management process, focusing on a bottom-up approach to ensure the completeness and accuracy of risk identification and to increase risk awareness and responsibility at the most appropriate organizational levels. Depending on the specificity and nature of the risks, these are assessed by the responsible decision-makers in the company at subsidiary, division or Group level. The Executive Management Board reviews all risk assessment results collected in the bottom-up approach for final validation and approval (top-down approach).

RKW assesses and manages opportunities and risks according to their probability of occurrence and the economic consequences should they materialize. RKW has developed an approach that provides a common language for assessing risk management in all risk areas and integrates both qualitative and quantitative approaches that allow risks to be easily prioritized and ensure that effective risk management measures are taken where they are most urgently needed.

The risk management system applied by RKW comprises elements of the following risk management standards and frameworks:

- AS/NZS 4360:2004 Risk management standard
- ISO 31000
- COSO's Enterprise Risk Management - Integrated Framework

3.1.2. Risks

Overall rating

The overall risk situation for RKW Group remained tense in 2023, as the impact of geopolitical conflicts on the value chain continued to cause uncertainty. In addition to economic factors, political and legislative changes, such as new EU regulations for single-use plastics, also have an impact on the company's portfolio.

Overall, the Group's sales and profitability risks have not changed significantly compared to the previous year. A current assessment of financial and non-financial risks shows that none of the reported risks jeopardizes the company's existence. In addition, no interdependencies were identified that could pose a threat to the company.

However, the wide range of applications for RKW products in various sectors with varying correlations to general economic growth will help to mitigate some of these risks.

Company-specific environment

Sales and market share risks

Sales risk is the most significant risk for RKW Group. Economic conditions worldwide, particularly in the geographical regions in which RKW operates, have a significant impact on the group's results. Their impact on the industries to which RKW's direct and indirect customers belong largely determines the demand for our products. Weather conditions can also have a negative impact on our business.

The Top 10 customers of RKW Group together account for around 40.0% of total sales. No single customer accounts for 17.0 % or more of sales. This shows that, although there are the usual concentration risks in the industry, they are of a magnitude that does not jeopardize the stability of the company. Long-term supply contracts have been concluded with some of the largest customers in order to ensure future predictability.

We consider the sales and market share risks to be high risks, but these would have a moderate financial impact due to the diversity of our customer relationships.

Competition

We continuously improve our products and solutions in order to remain competitive. We closely monitor the market and the competition in order to utilize opportunities in a targeted manner. In order to respond to increasing competitive risks, particularly in the area of patent protection, we take appropriate measures such as strategic patent defense and the conclusion of cross-licensing agreements with competitors. We will continue to strengthen our competitiveness in the future through the targeted promotion of innovations, particularly in the area of sustainability, permanent cost management and continuous process optimization.

Competition risk is omnipresent and is therefore assessed as having a high probability of occurrence and a high financial impact.

Purchasing and supply chain

Strategic risks in purchasing are of great importance to RKW Group, as they can have an impact on long-term competitiveness. Sharp changes in raw material prices, particularly for the main components polyethylene and polypropylene, can have a significant impact on earnings and liquidity. Index-based price escalation clauses are generally in place with major customers and it is standard market practice to pass on changes in raw material prices in the sales prices. Due to the time lag in passing on prices, a sharp increase in a short period of time has a negative impact on earnings and liquidity, while consistently high commodity prices have no or a slightly positive effect on earnings and cash flow. In addition, rising raw material prices lead to an increase in working capital, which results in higher financing requirements. This risk is essentially taken into account by price clauses in customer contracts. The Executive Management Board therefore anticipates only a moderate financial impact here.

RKW Group's energy-intensive production processes require electricity in particular and a small amount of gas. For the 2024 financial year, we will purchase the majority of our energy supply on the spot market. We believe that this will enable us to realize more favorable purchase prices. In the event that energy prices unexpectedly rise above our budgeted price, we have minimized the risk by including price clauses in our customer contracts.

For the risks from the purchasing and supply chain, the Executive Management Board anticipates a medium probability of occurrence overall, which would have a moderate financial impact.

Credit management

The recoverability of receivables and other financial assets of RKW may be impaired if transaction partners fail to fulfil their payment or other performance obligations. A responsible credit management team has been appointed to manage credit risks from receivables, which regularly carries out creditworthiness analyses and sets a credit limit for each customer. The Executive Management Board currently assesses this risk as having a low probability of occurrence and, depending on the customer, a low financial impact.

Treasury

In order to counter the fundamental liquidity risk, RKW Group operates a Group-wide liquidity planning system, which was further professionalized in the 2023 financial year. RKW Group has unused short-term bank lines and a supply chain finance program with an important global customer. Part of the cash inflows from the sale and leaseback agreement concluded in March 2024 will be used to repay bank liabilities in order to relieve the financial result in the short and long-term. In addition, the intragroup cash pooling to be rolled out in the second half of 2024 will ensure centralized management of cash flows and improved cash flow planning and control.

Hedging transactions were concluded in some cases for interest on borrowed capital in order to ensure a high degree of predictability. Sales or purchase transactions in foreign currencies play a subordinate role. We continue to assume that this risk will therefore only have a low probability of occurrence with a low financial impact.

HR & Organization

RKW is preparing for the growing challenge of attracting and retaining skilled labor in the long-term. This is primarily due to the tight labor market for qualified employees, which is combined with the predominantly rural locations of RKW's production sites. This increases the risk of either not being able to fill vacancies at all or only being able to do so after a delay and means that not enough suitable talent with the necessary skills and abilities can be attracted, recruited and retained.

One of the ways in which RKW is countering this risk is by positioning itself more strongly as an "employer of choice" for talented individuals looking for international career options in the SME sector. At a local level, RKW offers sound professional training as well as flexible remote and hybrid working time models, an attractive and employee-friendly workplace culture and a long-term succession planning process.

Due to the measures initiated, the Executive Management Board currently assesses this risk as having a low probability of occurrence, although it harbors a high financial risk, at least from a long-term perspective.

Innovations

We expect the trend towards higher sustainability requirements in the plastics industry to continue. Digital technologies of established processes, including the use of artificial intelligence, will also lead to an increase in efficiency and effectiveness in some areas. RKW's aim is to utilize the resulting opportunities in a growing market through more sustainable innovations. Key areas here are solutions for the circular economy as well as safe and modern products that lead to sustainability for our customers. To be successful in this area, we involve our research and development department in new developments at an early stage in order to steer our innovation portfolio towards increased sustainability.

The Executive Management Board currently assumes a high probability of occurrence, which will however, have a low financial impact due to the measures we have introduced.

Information technology

RKW utilizes a large number of IT systems. In a global and constantly evolving world, the challenge of protecting RKW from attackers is becoming ever greater and more complex. Cyberattacks cause downtime and delays in business processes, loss of data and financial information and pose a significant financial risk, jeopardizing our competitive position. To minimize these risks, RKW Group continued to expand its measures to protect against cybercrime in the 2023 financial year. These include redundant IT systems, access and virus protection, back-up procedures, encryption systems, and integrated and standardized IT applications.



The information security systems in use are constantly reviewed, updated and expanded. RKW employees are regularly trained in information and data protection. Although we have intensified the measures, the Executive Management Board continues to categorize the risk and financial impact as high.

The Executive Management Board currently assumes a high probability of occurrence with a high financial burden.

Legal claims and processes

RKW Group is exposed to risks from legal disputes or proceedings in which we are either currently involved or which could arise in the future. These risks relate in particular to areas such as product liability, competition law, patent law and environmental protection.

We continuously monitor ongoing and impending legal disputes and proceedings and report regularly to the Executive Management Board. We carry out independent analyses and assessments of the facts and asserted claims in order to evaluate the associated risks and assess the potential need for provisions. In doing so, we draw on the results of comparable proceedings and independent legal opinions where appropriate. Our risk assessment is based in particular on an assessment of the probability of occurrence and possible ranges of claims. If necessary, we recognize provisions for the respective proceedings. If it is not necessary to recognize provisions, we continue to examine whether these legal disputes could nevertheless result in risks for EBITDA as part of our general risk management.

The Executive Management Board assumes a medium probability of occurrence and a moderate impact.

Guidelines

RKW Group is subject to anti-corruption, antitrust and data protection laws and, from 2024, the Supply Chain Act ("LkSG"). Our business activities comply with the Code of Conduct of the Gesamtverband Kunststoffverarbeitende Industrie e.V. ("GKV"), which can be viewed on the Internet under <https://www.gkv.de/de/service/compliance-verhaltenskodex.html>. RKW and all RKW subsidiaries undertake to subject their business activities to this Code of Conduct.

We have the same expectations of our suppliers and subcontractors. We also expect our suppliers to implement these standards upstream in the supply chain. In particular, new and renewed supply contracts generally contain special clauses that require suppliers to comply with the sustainability requirements defined in the Code of Conduct and authorize RKW to verify compliance.

RKW is a member of various associations and follows initiatives at European and national level with great interest. For some time now, we have been working with our customers and various organizations on sustainable solutions, initiatives to increase the proportion of recycled materials and take-back and recycling systems. The Executive Management Board does not currently see any short-term risks to the earnings situation. In the long-term, RKW Group wants to make its contribution to sustainability and sees potential for future business activities in this area.

The upcoming EU Packaging & Packaging Waste Regulation ("PPWR") aims to reduce pollution from packaging materials and promote a sustainable circular economy for packaging. As a proposal, the EU Packaging Regulation is currently in the discussion phase, but will have a fundamental impact on businesses, consumers and the environment. RKW has implemented a comprehensive approach to closely monitor the potential impact of the changing regulatory framework on the plastics industry and respond in a timely manner, such as by updating product formulations and properties, continuously improving the recyclability of products, ensuring access to recycled raw materials with high quality standards and planning the utilization of capacity that may no longer be used. Due to the draft stage of the discussion paper, it is currently difficult to make a final risk assessment.

As with other companies in the production sector, RKW Group is fundamentally exposed to the risk of quality defects and the resulting claims for replacement deliveries or, if applicable, compensation. This also includes cases of NIAS ("non-intentionally added substances"), where damage can be caused by unintentionally added substances. The company has taken out appropriate insurance policies and recognized provisions to cover possible moderate expenses associated with this. In addition, RKW Group has developed a quality master plan that defines higher quality standards and is to be implemented at all sites in order to ensure the required product quality.

In addition, the regulatory environment in the plastics industry is constantly changing and becoming increasingly complex. RKW Group has recognized that comprehensive and robust processes and tools are required to ensure that production processes and technologies are adapted in a timely manner to ensure full compliance with applicable regulations at every location. A master plan for regulatory issues has been developed and this topic will be raised to a new qualitative level in 2024. Based on the measures introduced, we hope to minimize the risks arising from these requirements and turn them into new opportunities for RKW Group. A conclusive risk assessment of the financial impact cannot be made at present. We expect the new legislative proposals to have a major financial impact.

The Executive Management Board of RKW Group has not identified any risks that could jeopardize the continued existence of the company.

3.2. Opportunity report

RKW is characterized by a balanced portfolio across various market segments, which are structured according to the user industries of its products. Within these segments, we continuously adapt our portfolio to the needs of our customers in order to utilize market opportunities and reduce overcapacity. One focus is on the further expansion of our plant in North America, where we recognize considerable growth potential in the hygiene products and industrial solutions sectors.

We have also made considerable investments in growth at our European locations. These investments are secured by long-term supply contracts. The structure of our company, which operates internationally but is managed like a medium-sized enterprise, offers decisive advantages such as short decision-making channels and close customer relationships. This is where we see our strength. In the fragmented market environment for high-quality plastic films, we recognize additional opportunities to gain market share. We also continue to see growth potential in "non-home markets" such as Asia and Southern and Eastern Europe.

As already explained, a sale and leaseback agreement for the land and buildings in Echte, Petersaurach and Wasserburg was concluded in March 2024. At the same time as the sale, long-term rental agreements with extension options were concluded with the buyer. The transfer of ownership will take place successively in July, latest in August. Part of the cash inflow from the sale will be used to repay bank liabilities in order to improve the financial result in the short and long-term.



In the second half of the 2024 financial year, we will introduce intra-group cash pooling as a financial management tool. Group-internal cash pooling will enable us to optimize the use of available liquidity within our group of companies, thereby increasing interest income in particular and reducing our financing costs. As a result of the centralized management of our cash flows made possible by cash pooling, we can also guarantee improved cash flow planning and control, which will lead to an overall increase in financial transparency and flexibility.

The plastics industry is facing major challenges worldwide - in particular due to increasing environmental awareness among consumers and a changing legal situation. This makes it all the more important for RKW to deal with the changes in product requirements and to set the course for the future development of the industry with innovative ideas. We are committed to our responsibility to give plastic products a sustainable perspective and make an active contribution to establishing a circular economy for this indispensable material as well as reducing the impact of our products while maintaining or even improving their properties. To this end, we are guided by the guiding principle of "Reduce, Reuse and Recycle".

The prerequisite for a seamless circular economy is not just the complete recycling of plastic products. It is at least as important to enable or facilitate recycling through appropriate product properties. Our focus is on the increased use of recyclates in our production in order to maximize the reuse of existing resources. We also make our expertise in the field of recyclates and recycling available to our customers. Together with them, we develop ways to increase the proportion of recycled raw materials. The expected optical and technical properties of the product are compared with the customer's requirements. The result is a solution that harmonizes the highest possible proportion of recycled material with the best possible quality of the film. One example of the use of recycled materials are our multipack packaging films.

In order to close a recycling loop that not only reduces waste, but also conserves resources and ultimately reduces additional CO₂ emissions, we have been involved in the ERDE initiative to collect and recycle used agricultural film for years. In 2022 alone, ERDE members collected and recycled around 38,476 tonnes of agricultural film and other agricultural plastics - an increase of almost 18.0% compared to the previous year. This corresponds to a saving of 42,748 tonnes of CO₂ (source: www.erde-recycling.de).

3.3. Forecast report

The RKW Executive Management Board assumes that the weak global economic momentum from 2023 is likely to continue in the first six months of 2024. Subdued economic growth will not materialize until later in 2024. High interest rates, still comparatively high energy prices and generally unfavorable conditions due to numerous geopolitical tensions will continue to slow down economic development.

For the 2024 financial year, the Executive Management Board expects a slight increase in sales of around 5.0% resp. 13,000 tonnes to approx. 295,000 tonnes compared to the reporting year 2023. Growth is primarily targeted in the Consumer Packaging and Industrial Solutions product segments. We aim to achieve this increase in sales by expanding existing customer relationships, but also by generating new customer contracts. In 2024, we will therefore focus even more strongly on our customer portfolio and our core business. The increase in sales in 2024 is mainly expected within Europe and the USA. The prices of the most important raw materials polyethylene and polypropylene increased slightly at the beginning of 2024. In general, the rise in raw material prices over the course of the year initially has a negative impact on RKW's earnings. However, this is passed on with a time lag via price clauses in customer contracts. It is questionable whether the price increase for our raw materials will only be temporary or whether it will continue. Due to the fluctuating raw material prices and the subdued economic outlook, it is difficult to make a reliable sales forecast.

RKW Group's production processes are energy-intensive and require electricity in particular and a small amount of gas. Contractual price clauses in customer contracts will allow us to pass on price increases to customers.

Against this backdrop and the overall broad-based portfolio of the sales segments, we expect an EBITDA for 2024 amounting slightly over our budget goal of MEUR +40.0.

For the scheduled repayment of loans, we expect a cash outflow of around MEUR 39.0 in the third quarter of 2024. The following milestones were already reached in the first months of 2024 to finance RKW Group

- In February, we sold a plot of land in Gronau (Germany) that we did not need. The purchase price of around MEUR 2.0 has already been collected
- In order to strengthen its own liquidity position, RKW SE signed a sale and leaseback agreement for the land and buildings at the Echte, Petersaurach and Wasserburg sites (all located in Germany) in March 2024 in the order of MEUR 60.3. At the same time as the sale, long-term rental agreements of over 20 years and respective extension options to 30 years were concluded with the buyer. The transfer of ownership will take place in July, latest in August. Part of the cash inflow from the sale will be used to repay bank liabilities.

The Executive Management Board plans to invest around MEUR 28.0 in property, plant and equipment for RKW Group, of which approx. MEUR 20.0 will be spent on modernizing the German sites. The investments will mainly be made to improve the IT infrastructure, technical upgrades, energy efficiency measures and process optimization. RKW Group will thus expand its capacities and technology as a basis for further growth. The global RKW investment volume for the next two to three years is currently estimated at around MEUR 20.0 per year.

For the non-financial performance indicators, we forecast a complaint rate of < 0.13%, an OTIF delivery reliability of > 95.0% and an occupational safety indicator (LTIFR) of < 2.0 for the 2024 financial year (figures are unaudited).

Luxembourg, June 21, 2024

Raphael Müller

Hans-Phillip Müller