

SIMONA



Annual Report 2002

Index

- 2 At a glance
- 4 Members of the Management Board
and the Supervisory Board
- 5 To the shareholder
- 6 Company profile
- 8 Operating and financial review
- 15 Capital expenditure
- 17 Employees
- 19 Research and development
- 21 Risk management
- 22 Quality and environmental management
- 23 Outlook

- 26 Corporate Governance Report of the Supervisory Board
and the Management Board

Financial Statements SIMONA Group and SIMONA AG

- 30 Consolidated Balance Sheet SIMONA Group
- 32 Consolidated Income Statement SIMONA Group
- 33 Consolidated Balance Sheet SIMONA AG
- 35 Consolidated Income Statement SIMONA AG

Imprint

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Concept and Layout

Kommunikation + Design
Werbeagentur Raab GmbH
Mainz

Photos

Photographic Art
Mayen

Print

Krüger Druck + Verlag GmbH
Dillingen/Saar

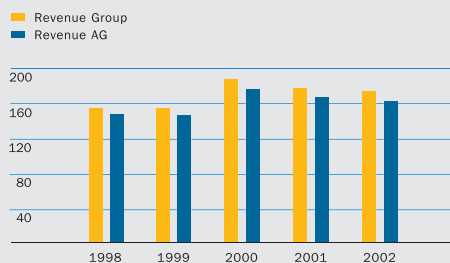
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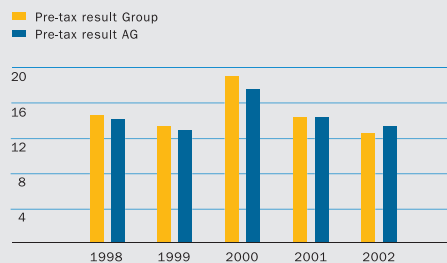
At a glance

SIMONA Group		2002	2001	2000
Revenue	EUR million	172.8	177.1	184.7
Change on previous year	%	-2.4	-4.1	19.9
Abroad revenue	EUR million	100.3	101.8	106.9
Abroad revenue	%	58.0	57.5	57.9
Staff costs	EUR million	44.6	43.2	40.2
Pre-tax result	EUR million	12.4	14.7	18.9
Net profit	EUR million	8.2	9.5	10.4
Cashflow	EUR million	20.9	22.9	23.8
EBITDA	EUR million	24.1	27.9	32.3
EBITDA	%	14.0	15.7	17.5
Balance sheet total	EUR million	136.4	133.9	128.9
Shareholders' equity	EUR million	94.2	90.3	84.7
Non-current assets	EUR million	46.6	48.2	43.3
Investments in intangible assets	EUR million	12.5	17.2	9.6
Depreciations of intangible assets	EUR million	11.6	12.4	12.7
Employees at year end		1027	1035	994
Average number of employees for the year		1025	1027	982
Revenue per employee	EUR '000	169	172	188

Revenue SIMONA Group and SIMONA AG in EUR million



Pre-tax result SIMONA Group and SIMONA AG in EUR million



SIMONA AG		2002	2001	2000
Revenue	EUR million	162.8	166.1	173.1
Change on previous year	%	- 2.0	- 4.0	21.0
Abroad revenue	EUR million	90.3	90.8	95.3
Abroad revenue	%	55.5	54.7	55.1
Staff costs	EUR million	40.3	39.2	36.6
Pre-tax result	EUR million	13.5	14.7	17.4
Net profit	EUR million	9.3	9.8	9.6
Cashflow	EUR million	21.5	23.0	22.6
EBITDA	EUR million	24.9	28.0	30.4
EBITDA	%	15.3	16.9	17.6
Balance sheet total	EUR million	133.7	130.3	123.4
Shareholders' equity	EUR million	95.1	89.7	83.8
Non-current assets	EUR million	48.0	48.9	43.6
Investments in intangible assets	EUR million	10.8	16.9	9.4
Depreciations of intangible assets	EUR million	11.2	11.9	12.3
Employees at year end		890	928	896
Average number of employees for the year		899	923	883
Revenue per employee	EUR '000	181	180	196
		2002	2001	2000
Earnings per share	EUR	14.0	15.3	16.8
Dividend	EUR	6.50	6.50	6.50
Dividend yield		3.2	3.2	5.0
Price-earnings ratio		14.4	13.2	11.0
Market capitalisation over equity		1.27	1.35	1.32
Price as at 31 December		202	202	185

Members of the Management Board and the Supervisory Board

Members of the Management Board



Wolfgang Moyses
Chief Executive Officer

Member of the Management Board since 1999. Responsible for Finance, Purchasing, Controlling, Quality Management, Legal Affairs and Personnel, as well as IT and Organisation, Kirn



Dirk Möller

Member of the Management Board since 1993. Responsible for Manufacturing, Research & Development, as well as Occupational Safety, Kirn



Walter W. Janshen

Member of the Management Board since 1993. Responsible for Sales, Logistics, Marketing and Applications Technology, Bad Kreuznach

Members of the Supervisory Board

Dr. Wolfgang Bürkle
Chairman

Manager,
Kirn

Hans-Wilhelm Voss
Deputy Chairman

Manager,
Simmertal

Roland Frobel

Tax Consultant,
Langenhagen

Hans-Werner Marx

Manager,
Kirn

Bernd Meurer
Employee
Representative

Hennweiler

Karl-Ernst Schaab
Employee
Representative

Bergen

To the shareholder

Dear Shareholder,

SIMONA AG succeeded in extricating itself from the downward economic spiral generally witnessed throughout the plastics industry. Indeed, we were able to increase our sales volumes by 3.0 per cent. However, due to the substantial decline in prices for semi-finished plastics, consolidated revenue for the Group was 2.4 per cent lower than in the previous financial year, weighing in at Euro 172.8 million overall. Consolidated profit before tax fell from Euro 14.7 million to Euro 12.4 million. Based on this performance, we were unable to meet our target of revenue growth and profit at a level comparable to that achieved in 2001.

However, in view of the current economic climate we can be satisfied with what we have accomplished. The chemicals industry had to contend with a substantial decline in revenue in 2002, the mechanical engineering sector was only able to avert total economic disaster with the help of solid export activities, and the construction industry was faced with recession for the eighth year in a row. Owing to the weakness of key sales markets, the plastics industry was forced to accept a year of zero growth. Supported by an increase in sales volumes, we were able to buck the general trend within the marketplace; at the same time we recorded our best performance ever in terms of sales volumes.

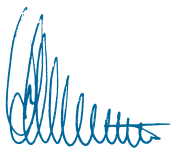
Earnings performance was influenced to a large extent by increased competition within the business arena. The strained financial situation of many customers resulted in downward pressure on prices for semi-finished plastics and in a concomitant decline in profits. Furthermore, higher staff costs and social security expenses, coupled with losses attributable to exchange rate differences as well as increased energy and freight costs, also contributed to the decline in earnings. The net profit for the 2002 financial year amounted to Euro 9.3 million, which is comparable to the figure of Euro 9.8 million posted in the previous financial year.

In view of the current volatility witnessed throughout the economy, it is extremely difficult to issue detailed performance forecasts for the current financial year. Indeed, the economic forecasts – particularly for the German economy – have deteriorated further. The key markets look set to produce zero growth in 2003, and thus fresh impetus is only expected to be seen within the area of foreign sales. Having said this, based on the level of orders on hand in the first three months of the current financial year, SIMONA has every reason to be optimistic. Together with accelerated marketing activities for new product fields, the company is confident that it can achieve a three per cent increase in sales volumes.

Our aim is to achieve a profit comparable to that posted for the 2002 financial year, despite increased operating expenses.



Wolfgang Moyses

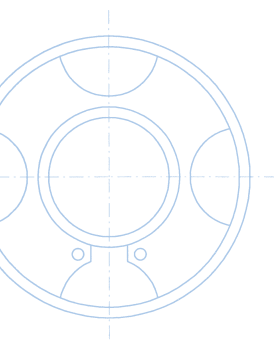


Dirk Möller



Walter W. Janshen

Kirn, May 2003



Company profile

SIMONA can look back on a rich and varied history dating back to the middle of the 19th century. In 1857, Theodor and Heinrich Simon established the leather factory Carl Simon Söhne, located in the German town of Kirn. Today, SIMONA AG is recognised as one of Europe's leading manufacturers and distributors of thermoplastic semi-finished products.

Plastics by SIMONA – truly ubiquitous

Our standard product offering comprises extruded and pressed sheets, solid and hollow rods, profiles and welding rods, pipes and fittings, electrofusion sockets, and valves. The materials used in production include polyethylene (PE), polypropylene (PP), polyvinylchloride (PVC-U) compact and foamed, polyethylene terephthalate (PETG), polyvinylidene fluoride (PVDF), and ethylene-chlorotrifluorethylene (E-CTFE), as well as specialist materials.

SIMONA AG is based in Kirn, a town located in the German state of Rhineland-Palatinate. Sheets, rods, profiles, and welding rods are manufactured at this location. The Plant for pipes and fittings is located in the town of Ringsheim, in the German state of Baden-Württemberg. Supported by extensive storage capacities at the two central warehouses in Kirn and Ringsheim,



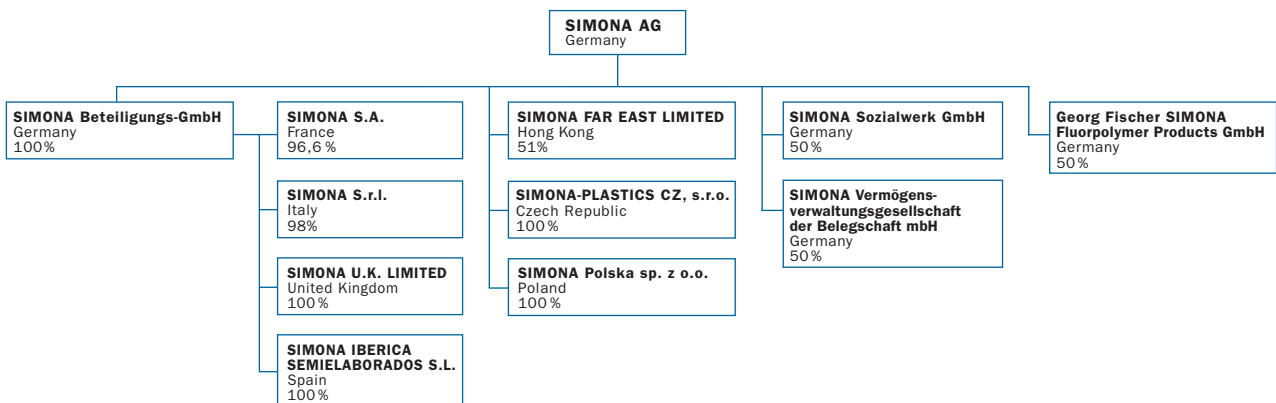
as well as decentralised distribution units, SIMONA is committed to efficient and on-time delivery of its products. In addition, the Company has established a global network of subsidiaries and sales partners, thus guaranteeing a professional, customer-oriented service on all continents. The SIMONA Group includes subsidiaries in France, Italy, the United Kingdom, Hong Kong, Poland, Switzerland, the Czech Republic, and Spain; the Company is also represented in Shanghai.

One of the traditional areas of application for SIMONA products is chemical instrument engineering. The high level of resistance of SIMONA semi-finished plastics to a broad range of aggressive chemicals, thus providing superior environmental protection, has proved to be a formidable source of competitive advantage within this area. Quality made by SIMONA is also appreciated within the area of civil engineering – e.g. when it comes to drinking water supply, waste-water disposal, and refuse-site technology – as well as in the field of structural engineering, mechanical engineering, and advertising. Increasingly, SIMONA is positioning itself as a provider of professional solutions for a diverse range of applications, particularly within the area of industrial pipeline construction, environmental management, and sewage-system redevelopment.

Our global network of branch offices, subsidiaries, and partners ensures a rapid and customer-orientated service around the world.

Manufacturing joint venture with Georg Fischer

SIMONA AG and Georg Fischer AG (Schaffhausen, Switzerland) have established a joint venture for the production of fluoroplastic pipes and fittings. For SIMONA and Georg Fischer this strategic move represents a long-term reinforcement of the enterprises' highly successful operations in fluoroplastic pipe systems for industrial applications. The production joint venture is located at SIMONA AG's former manufacturing site in Ettenheim and has been operating under the name Georg Fischer SIMONA Fluorpolymer Products GmbH since July 1, 2002. Thus, SIMONA AG has discontinued its own sales activities for high-purity piping components.





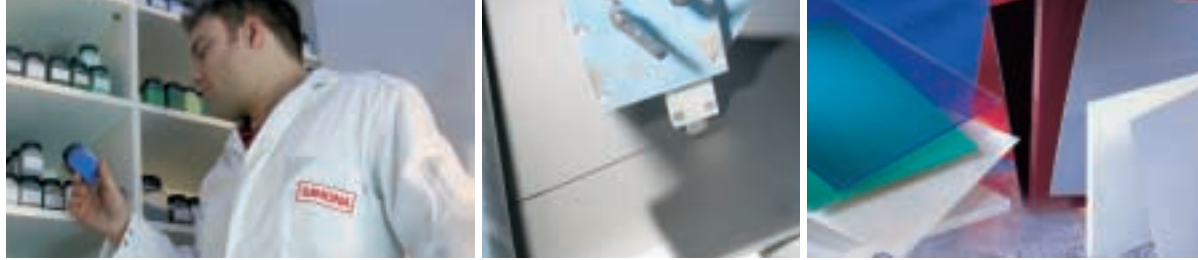
Operating and financial review

Volatile economic climate

The economic malaise witnessed throughout 2002 proved to be a global phenomenon, affecting not only the plastics industry but also its prime sales markets. In Germany, economic growth came to a virtual standstill. In fact, at the end of the year under review real economic growth was languishing at 0.2 per cent. In 2002, the plastics processing industry, which is a key supplier to all major industrial segments and is therefore particularly susceptible to economic volatility, had to contend not only with general sluggishness in the domestic market but also with a pronounced weakness in specific industrial segments.

The key markets for semi-finished plastics – chemicals industry, mechanical engineering, construction, and trade exhibitions – were unable to extricate themselves from the clutches of Germany's ailing economy. Admittedly, the chemicals industry recorded a production increase of 2.5 per cent in 2002. However, this growth was mainly achieved with the help of special chemicals and pharmaceuticals. Following a brief recovery of the chemicals sector in the first six months of the year, production figures stagnated in the second half, thus leading to a substantial decline in revenues. The main influencing factors within this area were surging crude

Real economic growth in Germany stood at a mere 0.2 per cent in 2002.



oil prices and the political maelstrom developing in the run-up to military action in Iraq. As a result, investment activities within the chemicals industry remained well below the level registered in the year 2000, and slightly below the figure recorded in 2001.

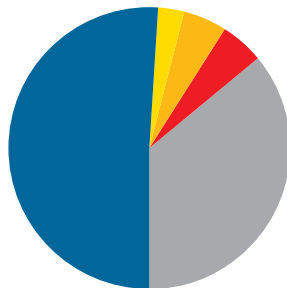
Having suffered a severe decline in revenues in 2001, the mechanical engineering sector rallied slightly in the first three quarters of 2002 as a direct result of fuller export-related order books. However, in the fourth quarter demand waned as impending military conflict in Iraq affected market sentiment worldwide. This global level of uncertainty also had an adverse effect on foreign sales.

Germany's construction sector suffered its eighth successive year of recession in 2002. In 2002, construction-related investments declined by 5.9 per cent to Euro 214.2 billion. Investments in public-sector construction projects suffered a decline of 5.2 per cent to Euro 27.7 billion, a relatively good performance compared with other segments. Growing pressure on local-government budgets has highlighted the conflict between statutory maintenance requirements on the one hand and dwindling financial resources on the other. This is particularly noticeable when it comes to the renovation of Germany's sewerage systems, which is the responsibility of local government.

The trade exhibition sector was also faced with a decline in business in 2002. The industry registered a two per cent decline in the total number of exhibitors and a five per cent fall in the overall number of visitors to trade shows. Following a substantial decline in 2001, total floorspace sold for exhibition stands fell by another 1.5 per cent in the year under review.

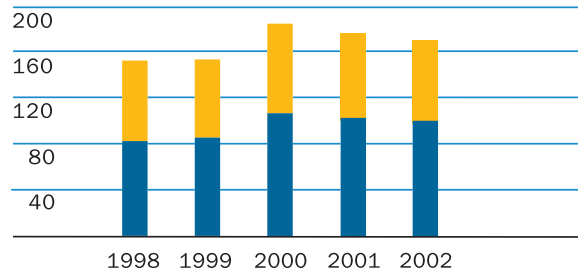
Revenue per region SIMONA AG

Germany	51%
Other countries	3%
Asia	5%
Other European countries	5%
European Community	36%



Development of revenue SIMONA Group in EUR million

Abroad revenue
Domestic revenue





Recording a three per cent increase in sales volumes, SIMONA outperformed the general trend within the plastics industry.

Zero growth for plastics industry

Affected by sluggish sales markets, the plastics processing industry recorded zero growth in 2002 compared with the previous year. Total revenues stood at Euro 40.7 billion. Against the backdrop of Germany's fragile economy, domestic demand fell by 2.9 per cent. In contrast, demand from abroad rose by 6.6 per cent, thus continuing to grow at disproportionately high levels. The trend witnessed within the area of sheets, foils, and profiles was slightly better than that seen in the plastics-processing industry as a whole. The 0.7 per cent increase in revenues, to Euro 13.5 billion overall, was mainly the result of a 7.9 per cent surge in the share of foreign sales. At the same time, domestic revenues fell by 4.3 per cent. Demand for products used within the construction sector remains sluggish. Despite stable overseas demand, this segment recorded a 6.0 per cent decline.

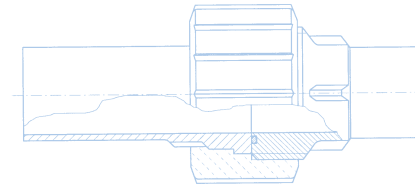
SIMONA on a sound footing – despite difficult economic climate

Operating within a difficult economic environment, SIMONA AG was able to assert itself and hold its ground in 2002. Recording a 3 per cent increase in sales volumes, SIMONA achieved the highest level of output in the Company's history, thus even outperforming the record year of 2000 by 2.6 per cent. However, for the second time in succession revenues failed to keep pace with the level of production growth. Total revenues generated in the AG, i.e. the parent company, amounted to Euro 162.8 million in the financial year 2002, a year-on-year decline of Euro 3.3 million. This corresponds to a fall in revenue of 2.0 per cent against the previous financial year. Within the Group, revenue declined by 2.4 per cent to Euro 172.8 million.

This was mainly attributable to a substantial fall in average prices for semi-finished plastic products. Owing to intense competitive pressure, average revenues generated within the area of semi-finished products and pipes declined by three to five per cent. The price increases carried out in the area of polyolefins – polyethylene and polypropylene – had to be reversed to a certain extent in October due to falling raw material prices. In view of the current competitive environment, we were unable to implement the price adjustments desperately needed in the area of PVC. The decline in revenues was compounded by a shift in our product mix, to the detriment of the more expensive high-performance plastics PVDF and E-CTFE.

Growth supported by all product areas

In terms of sales volume, our semi-finished products – sheets, rods, profiles, and welding rods – registered growth of 1.5 per cent, which was 0.8 percentage points higher than average sector growth. At the same time we succeeded in halting the downward trend witnessed in the previous financial year. Owing to the difficult situation regarding prices, the increase in sales volumes was not enough to prevent a 3.4 per cent decline in revenues generated within the area of semi-finished products. Supported by project-related orders and the continued enhancement of our business activities in the area of fittings, we were able to achieve a 7.9 per cent



increase in sales volumes and a 4.3 per cent increase in revenues within the segment of pipes and fittings. In the year under review, we fully realigned our activities centred around high-purity pipes and components. As part of our restructuring efforts, we established a joint venture with Georg Fischer AG, Schaffhausen (Switzerland), for the production of fluoroplastic pipes and fittings. Thus, SIMONA no longer actively sells pureplus® piping components. In future, we shall be focusing on our core markets.

Exports grow for four years in succession

For the fourth year in a row exports provided the necessary momentum in terms of growth. In the financial year under review, the volume of products sold abroad improved by 5.2 per cent compared with 2001. As a result of depressed prices, revenues attributable to foreign sales fell slightly by 0.5 per cent to Euro 90.3 million for the AG and by 1.5 per cent to Euro 100.3 million for the Group. Sales volumes in the area of semi-finished products increased by 5.0 per cent. This growth was the direct result of increases recorded in the area of extruded and pressed sheets. Substantial gains were also recorded within the area of piping systems. Here, export sales volumes grew by 8.5 per cent.

After the downward trend witnessed in 2001, domestic sales volumes stabilised in the financial year under review, registering a slight increase of 0.6 per cent. Overall growth was the result of substantial gains of 7.4 per cent in the area of pipes and 8.4 per cent in fittings, whereas sales volumes declined by 2.6 per cent within the area of semi-finished products. Domestic sales revenue was adversely affected by depressed prices, thus falling by 3.7 per cent to Euro 72.6 million for the AG.

In view of the continued weakness in domestic demand, the proportion of foreign sales volumes and revenues edged up. In the financial year under review, 54.5 per cent of total sales output within the AG was attributable to foreign sales. Revenue generated abroad in relation to total sales revenue stood at 55.5 per cent. This equates to a year-on-year increase of 1.5 per cent. Within the Group, our revenue-based export ratio increased by 0.5 per cent to 58.0 per cent overall.

In 2002 – for the fourth year in succession – export-related business exceeded domestic volumes and now accounts for 58 per cent of revenues.



Despite varying fortunes in terms of earnings performance, SIMONA's subsidiaries succeeded in bolstering their positions within their respective local markets.

Mixed fortunes for subsidiaries

Our subsidiaries were faced with very different trends in the course of 2002. In total, 72.6 per cent of our foreign sales volume was generated via the respective subsidiaries. This equates to a year-on-year increase of 1.7 per cent. However, the situation was slightly different in terms of revenue. Despite the revenues achieved by SIMONA IBERICA SEMIELABORADOS for the first time, total revenues for the subsidiaries generated as part of their own activities fell by 0.1 per cent to Euro 51.4 million. This was attributable to exchange rates and price structures.

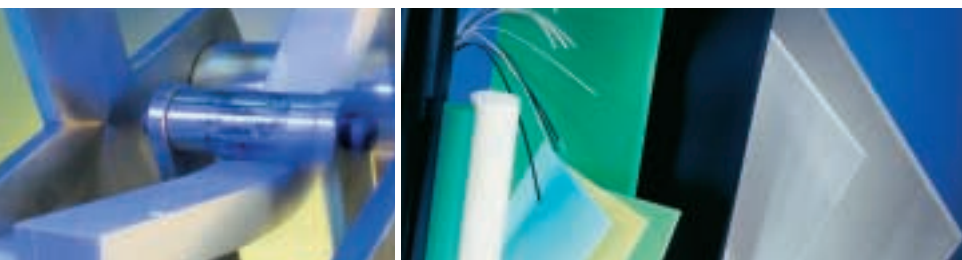
In France, SIMONA S.A. retained its leading position within the marketplace, despite a slight decline in business. The downward trend in terms of volumes and revenues was mainly attributable to the failure to secure new projects to replace a major pipe-related project completed in the previous financial year. Our French subsidiary was also influenced by weakness in the chemical engineering sector, which had a negative effect on demand for semi-finished products made of polyethylene, polypropylene, and PVC.

SIMONA ITALIA posted substantially lower figures both in terms of volumes and revenues in the financial year 2002, thus failing to emulate the outstanding achievements of prior years. Particularly the less than favourable situation within the area of chemical engineering as well as industrial pipeline construction resulted in sluggish demand and pressure on prices.

Growth in sales volumes and revenues at SIMONA U.K. continued unabated in the third year after restructuring. SIMONA U.K. benefited from its formidable position within the market, strong demand for sheets used in the production of door components, as well as accelerated sales within the area of pipes and fittings deployed in drinking water and wastewater systems.

In the Czech Republic, SIMONA-PLASTICS CZ recorded slightly improved figures as regards sales volumes in the financial year 2002. The favourable exchange rate of the euro against the Czech krone also translated into an improved revenue performance.

The alterations made to the distribution structure of SIMONA POLSKA in May 2001, following the full acquisition of this entity by SIMONA, resulted in palpable improvements to our Polish operations in the financial year under review. Sales volumes rose substantially in the 2002 financial year.





SIMONA FAR EAST overcame the economic crisis witnessed throughout the semi-conductor and electronics sector as well as in instruments engineering, achieving turnaround with a solid increase in sales volumes of around 10 per cent. Business was strengthened by the outstanding efforts of our unit located in Shanghai. Indeed, China has emerged as a key market when it comes to the production of equipment for PCB manufacturing. Having said this, as a result of less favourable exchange rates, revenue remained at the same level recorded in the previous financial year.

In its first full financial year as an independent unit, our Spanish subsidiary SIMONA IBERICA SEMIELABORADOS achieved the second-best sales performance in terms of volume since SIMONA's operations on the Iberian peninsula.

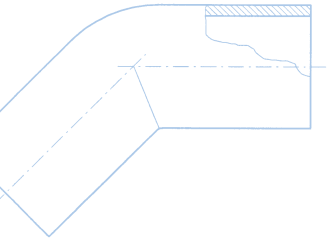
Earnings fall short of expectations

Having secured a 3.0 per cent increase in sales volumes, we met our own target of stable growth within this area for the financial year 2002. However, this contrasted sharply with the 2.0 per cent decline in sales revenues generated by the AG in 2002. For the second year running, price structures within the area of semi-finished products were dominated by intense competition, thus impacting on our earnings performance. Profit from ordinary activities amounted to Euro 13.5 for the AG, a year-on-year decline of 8.1 per cent. Our profit margin within the AG, i.e. the parent company, was 8.3 per cent for the year under review. Within the Group as a whole profit from ordinary activities, affected heavily by exchange rates, declined by 15.9 per cent to Euro 12.4 million. Based on this performance, we failed to meet our target of achieving a profit comparable to that posted in 2001.

Overall, our subsidiaries posted a net profit of Euro 0.2 million from independent activities. The year-on-year decline in total profits was mainly attributable to the below-par results of our subsidiaries SIMONA ITALIA, SIMONA-PLASTICS CZ, and SIMONA IBERICA SEMIELABORADOS. It should be noted that our Spanish subsidiary, which has been operating as a separate enterprise since mid-2001, was affected by substantial start-up investments.

Supported by an increase in other operating income, our gross profit for the financial year 2002 improved by Euro 2.2 million to Euro 86.0 million within the AG. At the same time, optimised procurement management allowed us to reduce the cost of raw materials by Euro 9.9 million year on year, despite the fact that prices within the area of raw materials were relatively high. However, the improvement in gross profit did not translate into higher net profit.

In view of the low price level for semi-finished plastics, SIMONA was unable to meet its revenue target of three per cent growth.



Higher staff costs and social security expenses, as well as increased energy and freight costs and losses attributable to exchange rate differences, contributed to the decline in earnings.

Higher costs affect profit

Increased staff costs and social security expenditure, higher other operating expenses, as well as reduced financial income had a detrimental effect on net profits. The 2.7 per cent increase in staff costs within the AG, taking total personnel expenses to Euro 40.3 million, is mainly attributable to the first level of pay rises of 2.2 per cent that became effective in November 2001. The positive effects of the decline in staffing levels from 925 to 890 employees within the AG were not captured fully in net profits for the financial year 2002. The reduction in the number of people employed by the Company includes the transfer of 28 members of staff to our joint venture with Georg Fischer AG. The increase in other operating expenses is mainly the result of foreign currency transaction losses due to the stronger euro as well as higher freight costs in connection with increased project-related sales of large-scale pipes. Our accelerated business activities in Spain and the United States also contributed to an increase in other operating expenses.

The balance sheet total of the AG, i.e. total assets = total liabilities and equity, rose by 2.6 per cent to Euro 133.7 million. This was mainly due to changes within current assets. Inventories of raw materials decreased by approx. Euro 0.5 million and the level of finished goods declined by Euro 1.1 million. In contrast, trade receivables rose by 5.2 per cent to Euro 15.0 million. To a large extent, this reflects the current cash flow situation of many of our customers. The improved level of liquidity within the AG is underlined by a Euro 3.7 million increase in cash resources; this is the direct result of streamlined inventory management and slightly lower investment activities.





Capital expenditure

In the course of the 2002 financial year, SIMONA AG invested Euro 10.8 million in the further expansion and modernisation of its production facilities. The single largest investment, amounting to Euro 2.8 million, was the installation of a new compression unit for the manufacture of 2x4-metre pressed sheets made of polyethylene and polypropylene. Thus, SIMONA AG now boasts one of the most modern facilities in Europe, ensuring high output of pressed sheets and a broader product offering.

Furthermore, we introduced an other extrusion line for integral skin foamed sheets, with the express purpose of extending our product range within the area of “sheets for advertising”. This investment has provided SIMONA AG with a solid foundation, allowing us to position ourselves as a one-stop supplier of PVC foamed sheets. Customers can now choose from a wide range of products tailored to their specific requirements.

In the financial year under review, we also expanded our testing facilities used within the area of research and development. One of our prime objectives is to press ahead with the development of new products and processes, thus further strengthening the Company's position as a leading innovator.





By investing in a new 100 kg injection moulding machine, we have underlined our commitment to satisfying the market's demand for large injection-moulded fittings.

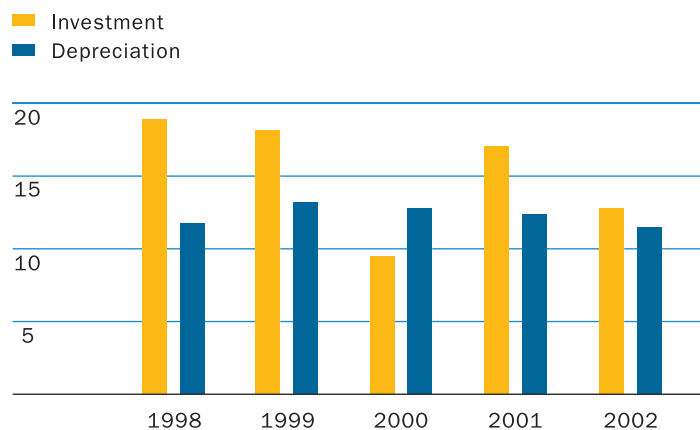
New opportunities with large injection-moulded products

A second area in which we invested heavily in the course of the 2002 financial year was pipes and fittings production. At Euro 1.7 million, our new injection moulding machine with a clamping force of 2,700 t represented our single largest investment within this area. The new unit is equipped to handle injection moulding of fittings with an injection weight of up to 100 kg. As a result, we will be able to extend our product range to include large-scale injection-moulded components with a diameter of over 450 mm. These products are mainly used for drinking water and wastewater systems. We also purchased a range of new moulds, which will allow us to optimise our product range for the individual materials used and to extend our offering in line with customer requirements.

By enhancing our product range and increasing our capacity levels in manufacturing, we have created a solid foundation upon which to build. Supported by our incisive investment programme, we will be able to take advantage of an upturn in the economy as soon as it materialises and further expand SIMONA AG's market position.

Alongside investments in production equipment, there was also an upgrade of SIMONA's electronic communication network. The main focus was on integrating the individual manufacturing locations and subsidiaries into our central network. This coincided with the installation of a new ERP system at Georg Fischer SIMONA Fluoropolymer Products GmbH, our joint venture which commenced operations in the financial year under review. Having successfully completed the pilot phase, our new Customer Relationship Management System (CRM system) also came into operation in the 2002 financial year. Our entire team now has access to key information, thus allowing us to enhance SIMONA's customer-oriented approach in every area of business.

Investment and depreciation SIMONA Group in EUR million





Employees

The number of employees within the AG declined by 35 in the financial year 2002, down from 925 to 890 members of staff at the end of the year; the average number of staff during the year was 899 for the AG. Within this context it should be noted that 28 employees left SIMONA AG as part of the newly established joint venture; these former members of staff are now employed at Georg Fischer SIMONA Fluoropolymer Products GmbH. Within the Group, the number of employees fell from 1,032 to 1,027 at the end of the financial year 2002.

The level of staff absences due to illness increased slightly in the year under review. As a result, our average staff absence ratio rose slightly to 5.15 per cent.

Focusing on the next generation

Once again, SIMONA AG reaffirmed its commitment to training by investing in the career development of new members of the team. In total, 62 school-leavers took part in German-style apprenticeships in 2002. In the year under review, 14 apprentices successfully completed their training at SIMONA and were taken on as employees. In order to streamline our training activities in the area of metal processing, we decided to discontinue the long-standing

The entire SIMONA workforce at the Ettenheim plant was integrated into the production joint venture with Georg Fischer.



cooperation programme with Michelin-Werke in Bad Kreuznach and re-establish training facilities on our own premises. Training at the facilities of Michelin-Werke involved excessive commuting, thus adding to the workload of our apprentices. As a direct result, apprenticeships at SIMONA AG were gradually becoming less attractive to young people within the region.

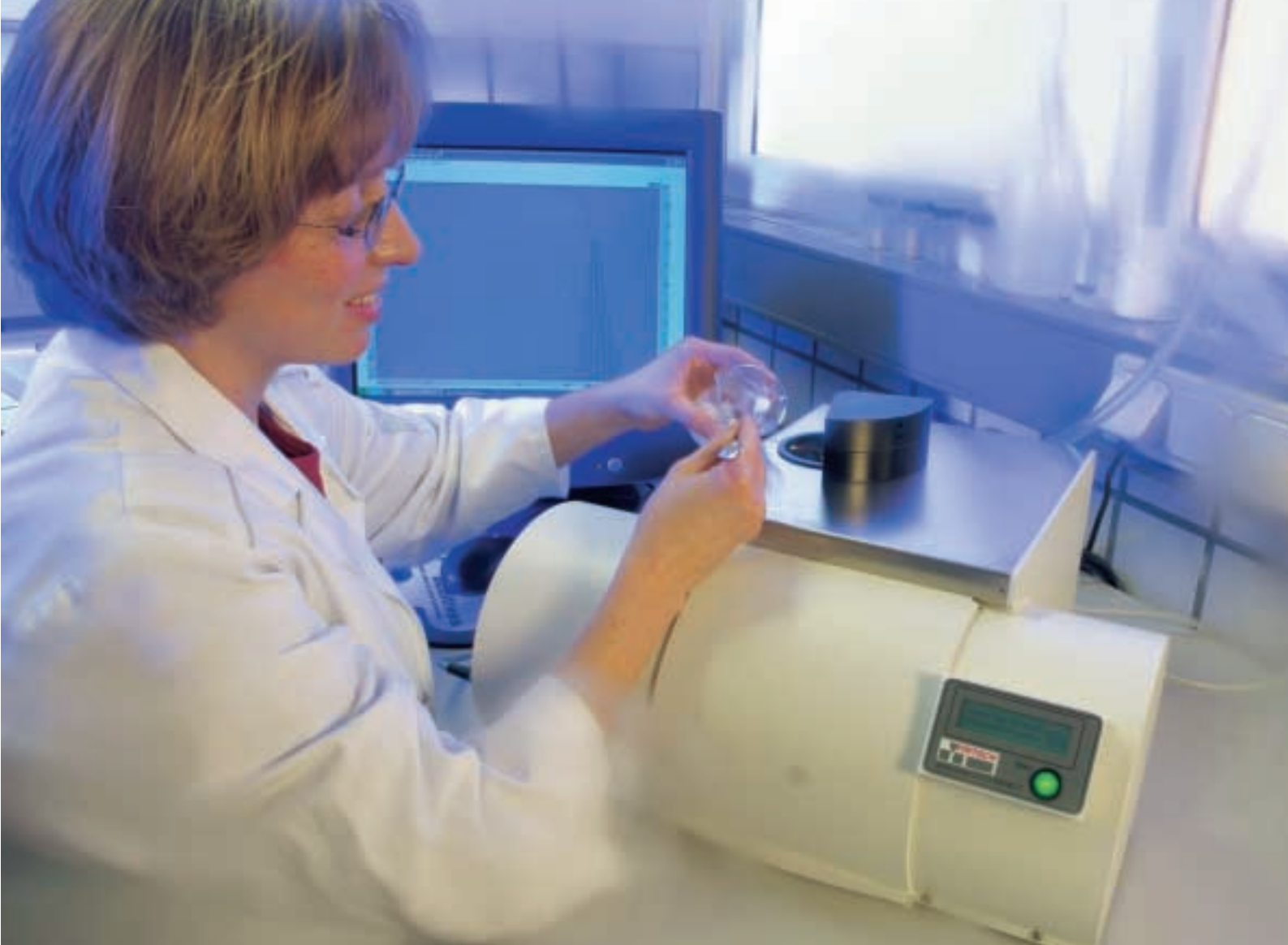
The integrated training programme initiated on August 1, 2001, covering a part-time degree course at the University of Applied Sciences Ludwigshafen, has already borne fruit. In view of the success of this scheme, we decided to recruit three new apprentices who will be commencing their integrated studies at SIMONA AG on August 1, 2003.

In June 2001, a collective wage agreement was concluded between SIMONA AG and the trade union for the mining, chemicals, and energy industry, covering part-time employment for old-age staff. By the end of 2001, six members of staff had opted for taking part in this scheme; by the end of 2002, this number had risen substantially to 17 members of staff.

Outcome of staff survey translated into action plan

The results of an employee survey conducted towards the end of 2001 formed the basis for further improving job satisfaction in the course of the financial year under review. In order to improve leadership skills within the Company, we conducted a number of tailor-made seminars for the first and second tiers of management, aimed at defining transparent and quantifiable targets that are jointly developed by those involved.

We also staged several training events designed to improve our employees' qualifications. These included special shift-related training sessions for the respective manufacturing units, cross-departmental seminars, as well as subject-specific product and application workshops.



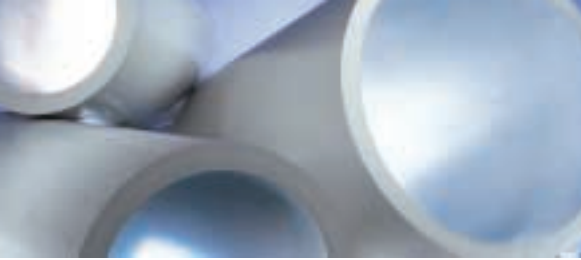
Research and development

The main focus of our research activities in the financial year under review was on optimising extrusion methods for foamed and compact PVC sheets. We also worked on enhancing our formulae used within the area of polyvinylchlorides.

In 2002, SIMONA® PVC-C CORZAN® 4910 sheets, rods, and welding rods were granted an advanced fire protection listing by the US insurance company Factory Mutual (FM). Supported by this listing, we are able to provide our customers with a state-of-the-art range of SIMONA® PVC-C CORZAN® 4910 semi-finished products tailored to the specific requirements of clean-room technology and the semiconductor industry. This product offering complements our FM-listed sheets, rods, pipes, and fittings made of high-performance PVDF. SIMONA AG is the only enterprise in Europe that supplies extruded sheets made of PVC-C CORZAN® 4910.

SIMONA® PP AlphaPlus – next-generation polypropylene

In the financial year under review, we also focused our research activities on developing a homopolymer polypropylene with a finer and more stable alpha-crystalline structure. This cutting-edge solution was launched as SIMONA® PP AlphaPlus. SIMONA® PP AlphaPlus has an



The enhanced product specifications of SIMONA® PP AlphaPlus pipes provide added value for customers within the area of industrial pipeline construction.

increased impact strength and an improved level of rigidity. This provides a number of benefits, from longer durability to higher chemical resistance and improved hydraulic properties. In addition to optimising the chemical formula for this product, we also put a great deal of effort into improving our manufacturing processes, with the express purpose of commencing industrial production of pipes made of SIMONA® PP-H 100 AlphaPlus.

As part of the market rollout of SIMONA® PE 80 ovoid pipes, we stepped up our development efforts to find suitable connection techniques for efficient and effective laying of pipe systems. In the year under review, we introduced a new technique for leak-proof and longitudinally strong welding of ovoid pipes. This method is tailored to the specific requirements of construction site applications. Furthermore, we are making good progress when it comes to the development of a wall-integrated welding method. The new welding technique ensures even more efficient and cost-effective welding of thick-walled pipes. We completed development work on SPC protective jacket pipes for drinking water and wastewater. As a result, the Company is now able to offer a complete system solution for pipe bursting and flush drilling.

We also concentrated on extending our range of SIMOLUX transparent sheets made of polyethylene terephthalate (PETG). Following the introduction of UV-stabilised and opal-effect SIMOLUX sheets towards the end of 2001, we launched SIMOLUX sheets with satin finish and grained, i.e. embossed, surfaces in the course of 2002. SIMONA AG has thus reacted to the demands of customers within the advertising industry and trade fair sector, who require a broader range of colourings and surface finishes.





Risk management

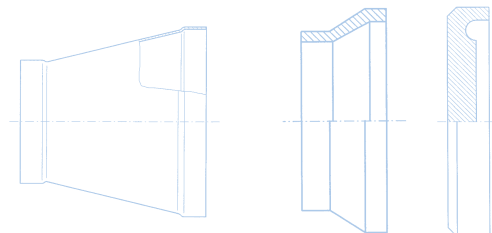
In the course of the financial year under review, the Company refined its risk management system introduced in accordance with Section 91 paragraph 2 AktG (Stock Corporation Act).

This system is centred around an Intranet-based information portal that spans the entire Company. As part of this system, possible risks have been documented from a corporate as well as a segment-specific and departmental perspective. These risks are monitored on a permanent basis, evaluated and ranked as part of a three-tier risk management report. As part of this system, the Company has defined early-warning indicators which are able to identify risks as soon as specific thresholds have been exceeded. Appropriate measures are initiated to counteract the risks identified within the system. The Management Board and the Supervisory Board were kept informed of all risks and evaluations as part of comprehensive quarterly reports, which are an integral part of the Company's active risk management.

Weak economy leads to increase in receivables

The risk arising from receivables remains low – a tribute to thorough credit ratings and monitoring of our domestic and foreign customers. Having said this, the level of trade receivables within the AG increased by Euro 0.7 million to Euro 15.0 million in the 2002 financial year. To a certain extent, this reflects the strained financial position of many of our customers. Our receivables from related companies include a loan granted to the joint venture Georg Fischer SIMONA Fluoropolymer Products GmbH in the amount of Euro 1.4 million.

The carrying amounts of inventories were assessed on a regular basis, and we took precautionary measures and made appropriate adjustments. Risks attributable to exchange rate fluctuations were addressed by means of hedging instruments insofar as this was possible within the commercial framework. Other operating expenses contain losses of Euro 0.8 million attributable to exchange rate differences. Market and country-related risks were minimised as part of our product and sales diversification.





Quality and environmental management

First-time certification of our environmental management system

Alongside customer orientation, profitability, and environmental protection, quality is one of the foremost corporate priorities at SIMONA AG. Committed to these values, SIMONA AG pressed ahead with certification of an integrated quality management system comprising “Quality Management ISO 9001” and “Environmental Management ISO 14001”.

Certification of our environmental management system underlines SIMONA's commitment to protection of the environment.

As part of the introduction of an integrated quality management system, for the first time SIMONA's environmental management system was assessed and certified in accordance with ISO requirements by independent environmental experts. SIMONA AG attaches great importance to environmental protection, and this is underlined by the Company's efforts within this area. These include the re-integration into the materials cycle of production-related items, the acceptance of materials no longer required by customers, and the efficient use of energy, as well as the avoidance of environmentally damaging admixtures. Furthermore, many of our products are designed specifically to protect the environment.

As part of implementing the integrated quality management system throughout the Company we also defined and documented cross-departmental workflows using a process-oriented approach. A system based on specific ratios was implemented to allow us to determine quality targets and control mechanisms within the area of quality assurance. This system is to be integrated with the risk management system in the current financial year.

In addition, the audit of our pipes and fittings operations was successfully completed in accordance with the Pressure Equipment Directive 97/23/EC of May 29, 1997. This bears testimony to SIMONA AG's out-and-out commitment to quality. What's more, we are able to offer our customers true value added by implementing solutions that pre-empt legislative trends, particularly at a pan-European level.

High level of customer satisfaction

One of the key performance ratios within our quality-orientated manufacturing enterprise is the so-called complaints ratio. Year on year, the number of complaints fell by 18.3 per cent in 2002. However, expenses related to complaints remained at a level comparable to last year's figure. The complaints ratio regarding complaints in relation to sales volume stood at 0.14 per cent in the financial year 2002.

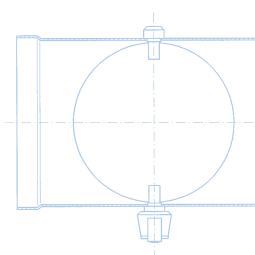
We are committed to providing key technical product documentation and adapting our publications in line with ever-changing international standards. In doing so, SIMONA AG is able to provide its customers with in-depth information related to the processing and application of semi-finished plastics.

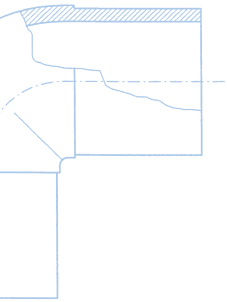


Outlook

There is little evidence to suggest that the world economy will gather momentum in the course of 2003. According to initial estimates, the war in Iraq is not likely to be as damaging to the economy as previously expected, and the danger of recession in the aftermath of this conflict seems to have been averted. Owing to the rapid conclusion of the Iraq war and the resumption of oil production in strike-affected Venezuela, the level of tension witnessed throughout the world's crude oil market has eased.

However, this more favourable situation has not yet resulted in a substantial fall in prices for the raw materials ethylene and propylene. In view of the worldwide reduction in production capacities, the current trend as regards crude oil prices has yet to have a positive effect on polymer prices. Faced with lower margins, polymer manufacturers succeeded in pushing prices up substantially. In turn, this has put increased pressure on the profitability levels of enterprises operating within the plastics processing sector.





Once again, our goal for 2003 is to outperform the general trend of the plastics industry.

Conservative forecast

Currently, forecasts for the key markets remain extremely conservative. The chemicals industry is exposed to a number of potential risks, particularly as further increases in crude oil prices would undoubtedly jeopardise the prospect of any growth in this sector. Regardless of this situation, the chemicals industry expects to see an increase in incoming orders in the second half of the year and is confident that it can lift production levels by one per cent. For the mechanical engineering sector, already affected by a weak performance in 2002, the first few months of 2003 remained uninspiring. Nevertheless, it too is expecting to recover in the second half of the year, buoyed by stronger exports. It is widely believed that investment activities may pick up later in the year, thus benefiting engineering companies specialising in chemical equipment. Prospects for the construction industry remain bleak, and the trade fair sector believes that business will remain as sluggish as in 2002.

Based on these less than favourable forecasts, the German Association of the Plastics Processing Industry has published its own prognosis for the year. Total revenues within the industry are expected to grow, at best, by two per cent.

Based on the level of orders on hand in January and February 2003, we have reason to believe that we can be quietly confident. Sales volumes and revenues were above target and slightly higher than in the same months a year ago, which, admittedly, were relatively weak. In spite of the current uncertainties and their potential impact on economic growth, we are confident that our prospects in terms of sales volumes and revenues are good. The financial year just ended highlighted our ability to thrive in adversity. Indeed, we outperformed others within our industry and generated above-average growth. In view of this performance, we expect to see a three per cent rise in sales volumes for 2003. Provided that prices do not deteriorate any further, sales revenues are expected to increase by the same degree.





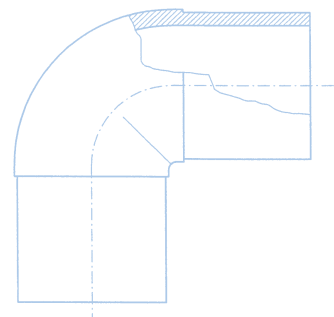
Sales volumes in 2003 – the future is bright

Our confidence is based to a large extent on our solid marketing activities within the respective fields of application. Indeed, in the current financial year we intend to strengthen our position within the area of sewerage and duct repair by introducing next-generation relining solutions. The launch of a standardised double containment piping system in time for the AICHEMA 2003 trade fair and the introduction of a comprehensive range of pipes and fittings made of SIMONA® PP AlphaPlus underline our commitment to accelerated growth within the area of industrial piping. In the area of semi-finished products, the introduction of low-flammable PVC-C solutions used in the manufacture of chemical equipment represents an important extension to our product portfolio. We have rolled out a new integral skin foamed sheet, and this extension to our range of sheets used in the advertising and display sector is also expected to provide fresh impetus.

While sales volumes and revenues have developed well, our earnings performance has not been encouraging. The margin between ever-increasing raw material prices and our current sales prices is becoming tighter by the minute, thus putting immense pressure on profits. Our future earnings performance will depend to a large extent on whether the price increases implemented in March within the area of semi-finished products will be accepted by the market. Increasing competitiveness and the willingness to secure additional market share by means of substantial price discounts are a potential source of risk. The combination of collectively agreed pay rises, higher energy-related costs, and increases in insurance premiums and contributions to trade associations will adversely affect profits in the current financial year. Therefore, we have implemented a number of internal measures aimed at stabilising our earnings for 2003 at a level comparable to that achieved in the previous financial year and creating a solid foundation for a sustained improvement in our performance for the 2004 financial year.

However, having substantially reinforced our technological base in 2002, we are well equipped to seize the opportunities of a potential economic recovery.

Our new product portfolio within the areas of sewerage and duct repair, industrial piping systems, advertising, and chemical engineering represents a solid foundation when it comes to bolstering our position in the market-place.



Corporate Governance Report of the Supervisory Board and the Management Board

SIMONA AG is firmly committed to meeting the requirements of the German Corporate Governance Code, with the express purpose of strengthening the rights of our shareholders.

Germany has introduced new legislation addressing the issue of corporate governance within exchange-listed companies, with the express purpose of rebuilding shareholders' confidence following the recent spate of accounting scandals. The new legal framework is aimed at making the corporate governance and reporting systems of exchange-listed companies more transparent, more reliable, and more efficient. It is based on the German Corporate Governance Code proposed and adopted by the German Corporate Governance Code Commission, which is headed by Dr. Gerhard Cromme.

SIMONA AG has met the majority of requirements specified with the Code. The Supervisory Board and the Management Board reacted to the legal requirements of the Code by implementing appropriate measures within the Company, insofar as these were necessary to supplement the corporate governance system already in place at SIMONA.

Independence of auditors

Prior to putting forward the name of an auditor to be appointed by the General Meeting of Shareholders, the Audit Committee of the Supervisory Board shall request a written statement from the auditor specifying any possible business relations with SIMONA AG that may cast doubt on the independence of the auditor in question. Furthermore, the Audit Committee shall agree with the auditor that the former will be informed immediately of any grounds for disqualification or impartiality occurring during the audit.

Exercising shareholders' rights – a more efficient approach

In future, our invitation to the General Meeting of Shareholders, as well as counterproposals, and the annual report will be published on our website; on request, they will also be sent by e-mail. For those shareholders who are unable to attend the Meeting in person or via a representative, the Management Board has appointed a representative of the Company to cast a proxy vote in accordance with the shareholder's instructions. This representative will also be available for consultation during the Meeting of Shareholders.

Deviations from the German Corporate Governance Code

There are several Company-specific characteristics which preclude SIMONA AG from adopting all the points outlined in the Code. The decision to deviate from the Code was taken in order to ensure an efficient level of control of the Management Board by the Supervisory Board, thus protecting the interests of the Company's shareholders. The deviations from the German Corporate Governance Code are as follows:

Transparency of remuneration

- “The compensation of the members of the Management Board shall be comprised of a fixed salary and variable components. Variable compensation should include one-time and



annually payable components linked to the business performance as well as long-term incentives. In particular, stock options or comparable instruments (e.g. phantom stocks) serve as variable compensation components with long-term incentives.”

The remuneration package of the members of the Management Board of SIMONA AG comprises fixed salary and variable components linked to the long-term performance of the Company. SIMONA AG has not established a stock option plan.

- “Compensation of the members of the Management Board shall be reported in the Notes to the Consolidated Financial Statements, subdivided according to fixed, performance-related, and long-term incentive components. These details are to be presented in an individualised format.”

As part of our Annual Report 2003, the remuneration of the Management Board will be disclosed within the Consolidated Financial Statements, subdivided according to fixed and performance-related components. Within this respect, the recommendations of the Commission have been accepted. However, the Company does not believe that an individualised disclosure of Management Board emoluments would be of any particular benefit.

- “Members of the Supervisory Board shall receive fixed as well as performance-related compensation. Performance-related compensation should also contain components based on the long-term performance of the enterprise.”

In the opinion of the Supervisory Board of SIMONA AG, performance-related compensation of the Supervisory Board would not encourage impartiality on the part of the Supervisory Board.

Reliable reporting

- “The Supervisory Board shall set up an Audit Committee which, in particular, addresses issues of accounting and risk management, the necessary independence required of the auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points, and the fee agreement. The Chairman of the Audit Committee should not be a former member of the Management Board of the company.”

The Business Committee established within the Supervisory Board is responsible for the same issues as an Audit Committee. In future, it will discharge its obligations as an Audit Committee. Furthermore, the entire Supervisory Board of SIMONA AG is regularly furnished with detailed information related to the Company's reporting and risk management; it also holds in-depth discussions with the auditors as regards the Company's financial statements.

Our area of business calls for comprehensive knowledge of products, markets, and processes. Therefore, the Supervisory Board is of the opinion that the appointment of a former member of the Management Board as Chairman of the Business Committee would be beneficial to the efficient running of the Committee rather than counterproductive.

Transparency

- “The members of the Management Board or the Supervisory Board shall, without delay and in an appropriate manner, disclose to the company the purchase or sale of shares in the company or entities within the group, as well as options and other derivatives.”

Publication and disclosure of any purchase or sale of shares in the Company by members of the Management Board or the Supervisory Board is carried out in accordance with the requirements of Section 15a WpHG (Securities Trading Act). Therefore, contrary to the recommendations of the Commission, a disclosure requirement does not exist for transactions whose aggregate value in terms of the total number of transactions carried out by the party subject to the disclosure requirement within 30 days does not exceed Euro 25,000. Disclosure within the Consolidated Financial Statements of ownership interests held by members of the Management Board or Supervisory Board is performed in accordance with the requirements specified by the Securities Trading Act as soon as the respective thresholds have been exceeded.

- “The Consolidated Financial Statements and Interim Reports shall be prepared under observance of internationally accepted accounting principles.”

The Supervisory Board and Management Board of SIMONA AG have decided to utilise the time frame specified by the authorities; the Company will prepare consolidated financial statements in accordance with internationally accepted accounting principles from the financial year 2004 onwards. Preparations for this changeover are already under way. The financial statements of the Group and the AG, as well as the interim reports, will be prepared in accordance with the German Commercial Code (HGB).

- “The Consolidated Financial Statements shall be publicly accessible within 90 days of the end of the financial year; interim reports shall be publicly accessible within 45 days of the end of the reporting period.”

SIMONA AG has made its Consolidated Financial Statements and Interim Reports available to the public within the statutory time frames, thus ensuring full disclosure. We are committed to accelerating our Company's financial reporting as part of our efforts to expand our international network and in line with the changeover to internationally accepted accounting principles.



Financial Statements

SIMONA Group

Some items displayed within the balance sheet and the income statement have been aggregated in order to provide readers with a pertinent summary. Details regarding these items have been outlined in the Notes to the German annual report.

Owing to the presentation of figures in thousands of euros (EUR '000), some figures disclosed within the balance sheet and the income statement for the Group and the Aktiengesellschaft may contain rounding errors.

The English publication is an abridged version of the German annual report. Please note that only the unabridged German version of the annual report is authoritative and legally binding.



Consolidated Balance Sheet SIMONA Group

Assets		
EUR '000	31 Dec. 2002	31 Dec. 2001
Non-current assets		
Industrial property rights and similar rights	638	772
Intangible assets	638	772
Land and leasehold rights and buildings, including buildings on third-party land	21,830	22,566
Technical plant and machinery	15,655	12,999
Other plant, operating and office equipment, furniture and fixtures	6,738	8,003
Prepayments and assets under construction	1,676	3,815
Property, plant and equipment	45,899	47,383
Investments in subsidiary companies	—	26
Investments	23	23
Financial assets	23	49
	46,560	48,204
Current assets		
Materials	8,946	9,069
Finished goods	27,174	28,181
Inventories	36,120	37,250
Trade receivables	30,776	29,749
Receivables from related companies	1,286	—
Other current assets	5,315	4,609
Receivables and other assets	37,377	34,358
Treasury shares	133	133
Other securities	5,030	6,418
Securities	5,163	6,551
Cheques, cash on hand, demand deposits at banks	9,981	6,862
	88,641	85,021
Prepaid expenses	506	231
Deferred taxes	741	432
Total assets	136,448	133,888

Liabilities and Shareholders' Equity

EUR '000	31 Dec. 2002	31 Dec. 2001
Shareholders' Equity		
Issued capital	15,500	15,500
Capital reserves	15,032	15,032
Legal reserves	397	397
Reserves for treasury shares	133	133
Reserves required under company by-laws	2,847	2,847
Other retained earnings	47,984	43,082
Retained earnings	51,361	46,459
Consolidated retained earnings brought forward	3,503	2,814
Net profit after minority interest	8,190	9,399
Equity generated (after minority interest)	11,693	12,213
Minority interest	561	643
Equity differences due to foreign currency translation	102	460
	94,249	90,307
Special item with reserve component	168	106
Provisions		
Retirement benefit obligations	23,473	22,583
Provisions for taxes	117	2,251
Other provisions	7,961	8,392
	31,551	33,226
Liabilities		
Liabilities to banks	—	263
Trade payables	4,641	5,057
Notes payable	11	21
Liabilities to related companies	541	931
Other liabilities	5,287	3,977
	10,480	10,249
Total Liabilities and Shareholders' Equity	136,448	133,888
Contingent liabilities	172	363

Consolidated Income Statement SIMONA Group

EUR '000	31 Dec. 2002	31 Dec. 2001
Revenue	172,838	177,135
Increase in inventories of finished goods	- 1,007	5,365
Gross performance	171,831	182,500
Other operating income	4,280	2,705
Materials and production supplies used	81,278	90,653
Cost of services purchased	440	781
Cost of materials	81,718	91,434
Wages and salaries	34,631	33,079
Social security and pension costs	9,976	10,078
Staff costs	44,607	43,157
Depreciation of property, plant and equipment, and amortisation of intangible assets	11,748	12,411
Other operating expenses	26,798	24,189
Income from investments	500	—
Other interest and similar income	741	868
Interest and similar expenses	85	139
Profit from ordinary operations	12,396	14,743
Income taxes	3,919	4,872
Other taxes	247	378
Net profit for the year	8,230	9,493
Minority interest's share of profits	- 40	- 94
Net profit after minority interest	8,190	9,399

Financial Statements

SIMONA AG

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Consolidated Balance Sheet SIMONA AG

Assets		
EUR '000	31 Dec. 2002	31 Dec. 2001
Non-current assets		
Industrial property rights and similar rights	629	759
Intangible assets	629	759
Land and leasehold rights and buildings, including buildings on third-party land	21,146	21,831
Technical plant and machinery	14,466	12,928
Other plant, operating and office equipment, furniture and fixtures	5,977	7,404
Prepayments and assets under construction	1,666	3,809
Property, plant and equipment	43,255	45,972
Investments in subsidiary companies	2,135	2,135
Investments	2,023	23
Financial assets	4,158	2,158
	48,042	48,889
Current assets		
Materials	8,587	9,034
Finished goods	22,670	23,789
Inventories	31,257	32,823
Trade receivables	15,020	14,278
Receivables from subsidiary companies	18,208	18,196
Receivables from related companies	1,823	—
Other current assets	4,774	4,312
Receivables and other assets	39,825	36,786
Treasury shares	133	133
Other securities	5,030	6,418
Securities	5,163	6,551
Cheques, cash on hand, demand deposits at banks	8,979	5,215
	85,224	81,375
Prepaid expenses	431	40
Total assets	133,697	130,304

Liabilities and Shareholders' Equity

EUR '000	31 Dec. 2002	31 Dec. 2001
Shareholders' Equity		
Issued capital	15,500	15,500
Capital reserves	15,032	15,032
Legal reserves	397	397
Reserves for treasury shares	133	133
Reserves required under company by-laws	2,847	2,847
Other retained earnings	52,617	47,984
Retained earnings	55,994	51,361
Equity generated (after minority interest)	8,538	7,798
	95,064	89,691
Special item with reserve component	168	106
Provisions		
Retirement benefit obligations	23,466	22,579
Provisions for taxes	114	1,657
Other provisions	7,058	7,609
	30,638	31,845
Liabilities		
Liabilities to banks	103	18
Trade payables	3,975	4,403
Notes payable	361	931
Other liabilities	3,388	3,310
	7,827	8,662
Total Liabilities and Shareholders' Equity	133,697	130,304
Contingent liabilities	41	186

Consolidated Income Statement SIMONA AG

EUR '000	31 Dec. 2002	31 Dec. 2001
Revenue	162,828	166,132
Increase/decrease in inventories of finished goods	- 1,119	4,754
Other operating income	3,998	2,500
Gross performance	165,707	173,386
Materials and production supplies used	79,700	89,583
Cost of services purchased	28	64
Cost of materials	79,728	89,647
Wages and salaries	31,231	29,991
Social security and pension costs	9,024	9,223
Staff costs	40,255	39,214
Depreciation of property, plant and equipment, and amortisation of intangible assets	11,343	11,921
Other operating expenses	22,318	19,173
Income from investments	646	365
Other interest and similar income	828	953
Interest and similar expenses	36	62
Profit from ordinary operations	13,501	14,687
Income taxes	4,115	4,640
Other taxes	120	243
Net profit for the year	9,266	9,804
Profit brought forward from previous year	7,798	6,789
Dividend payment	3,893	3,893
Minority interest's share of profits	4,633	4,902
Net profit after minority interest	8,538	7,798



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