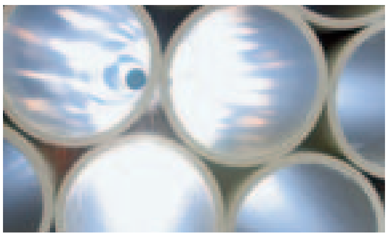
SIMONA

Annual Report 2004



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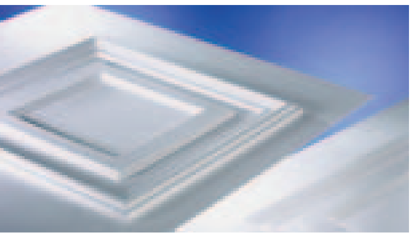
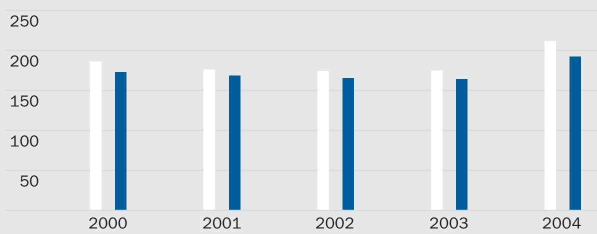


At a glance

SIMONA Group		2004	2003	2002
Revenue	EUR million	211.7	173.8	172.8
Change on previous year	%	21.8	0.5	(2.4)
Abroad revenue	EUR million	130.7	101.1	100.3
Abroad revenue	%	61.7	58.2	58.0
Personnel expenses	EUR million	47.0	45.5	44.6
Pre-tax result	EUR million	14.7	11.5	12.4
Net income	EUR million	9.4	6.4	8.2
Cash flow	EUR million	17.4	17.4	20.9
EBITDA	EUR million	22.7	23.2	24.1
EBITDA	%	10.7	13.4	14.0
Balance sheet total	EUR million	153.7	145.8	136.4
Shareholders equity	EUR million	101.9	96.7	94.2
Fixed assets	EUR million	50.2	49.2	46.6
Investments in intangible assets	EUR million	7.5	12.1	12.5
Depreciation in intangible assets	EUR million	8.0	9.2	11.6
Employees at year end		1,050	1,020	1,029
Average number of employees for the year		1,052	1,032	1,025
Revenue per employee	TEUR	201	168	169

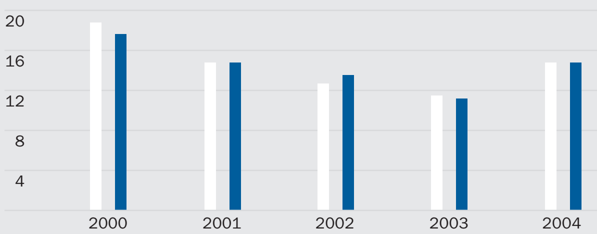
Revenue
SIMONA Group and SIMONA AG
in EUR million

Revenue Group
Revenue AG



Net profit before taxes
SIMONA Group and SIMONA AG
in EUR million

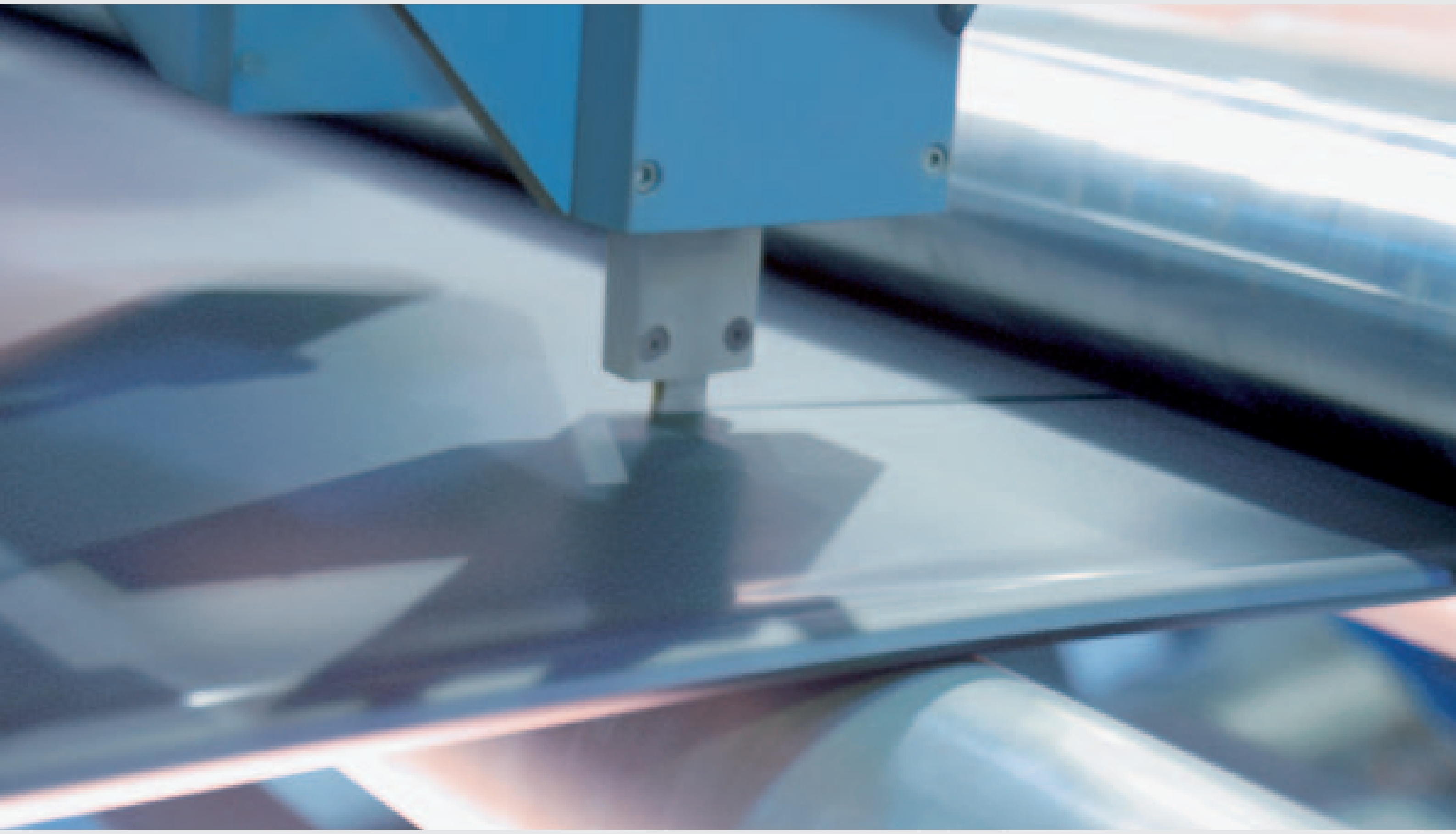
Net profit before taxes Group
Net profit before taxes AG



SIMONA AG		2004	2003	2002
Revenue	EUR million	190.1	162.0	162.8
Change on previous year	%	17.3	(0.5)	(2.0)
Abroad revenue	EUR million	108.1	88.9	90.3
Abroad revenue	%	56.9	54.9	55.5
Personnel expenses	EUR million	41.2	40.6	40.3
Pre-tax result	EUR million	14.7	10.8	13.5
Net income	EUR million	9.9	5.9	9.3
Cash flow	EUR million	17.4	16.7	21.5
EBITDA	EUR million	22.3	22.4	24.9
EBITDA	%	11.7	13.9	15.3
Balance sheet total	EUR million	148.9	140.3	133.7
Shareholders equity	EUR million	102.7	97.1	95.1
Fixed assets	EUR million	53.2	49.1	48.0
Investments in intangible assets	EUR million	6.6	10.0	10.8
Depreciation in intangible assets	EUR million	7.4	8.9	11.2
Employees at year end		914	891	890
Average numer of employees for the year		906	893	899
Revenue per employee	TEUR	210	181	181

Earnings per share	EUR	14.70	10.80	14.00
Dividend	EUR	7.50	7.00	6.50
Dividend yield		3.5	3.5	3.2
Price-earnings ration		14.7	18.6	14.4
Market capitalisation over equity		1.27	1.24	1.27
Share price as at 31 December	EUR	216	201	202

Annual Report 2004



SIMONA AG is recognised as one of the world's leading manufacturers of thermoplastic semi-finished products. This premier position within the international arena is a tribute to our commitment to quality, our comprehensive product portfolio, our customer-orientated consulting service and production as well as our all-embracing service offering. Drawing on these strengths, we managed to increase our sales volumes and revenues over the course of a year that was successful for the plastics sector as a whole. In doing so, we produced growth that was significantly higher than the industry average. The following sections provide in-depth facts and figures on our performance in the 2004 financial year.

Dear Shareholders,

Letter to Shareholders
Kirn, May 2005

Overall, 2004 was a successful year for the German plastics industry. Registering growth of 3.6 per cent, the plastics processing industry and mechanical engineering were the driving forces behind economic performance in Germany, which otherwise failed to meet expectations.

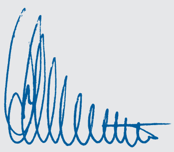
Supported by buoyant exports and a slight increase in domestic demand, we managed to propel sales volumes for our products upwards by 16.2 per cent in the AG. In doing so, we clearly outperformed the industry as a whole in the period under review. This positive performance was attributable on the one hand to newly penetrated market segments within the area of automotive technology and building construction and on the other hand to the fact that we have been focusing more closely on tailor-made products and solutions geared towards individual customer requirements. Indeed, customised solutions form an important cornerstone for our company's future operations.

In the 2004 financial year, revenue increased by 17.3 per cent to Euro 190.1 million for the AG and by 21.8 per cent to Euro 211.8 million for the Group as a whole. Thus, for the first time in our company's history, spanning some 150 years, we succeeded in breaching the Euro 200 million mark. At 61.7 per cent, our export ratio for the Group reached a record high, thus reflecting our highly successful marketing activities within the international arena.

Profit from ordinary activities improved by Euro 3.9 million to Euro 14.7 million both at AG and Group level. However, with an EBIT margin of 7.1 per cent, a year-on-year improvement of one percentage point, we are at the lower end of our target range of 7 to 10 per cent. The gulf between dramatically increased raw material prices and relatively low, stagnating sales prices for semi-finished plastics – with significantly reduced profit margins – was not conducive to earnings growth.

Our outlook for the immediate future is conservative. Economic growth in the first quarter of 2005 was uninspiring, and in terms of incoming orders the initial months of the new financial year produced little forward momentum. Operating against this backdrop, our forecast of a 2.4 per cent increase in sales volumes is significantly lower than growth achieved in the preceding financial year. With a slight improvement in prices for semi-finished plastics, we are expecting revenue growth of 5 per cent for 2005 and a bottom-line result comparable to that recorded in the preceding year.

Continued international growth and the ability to capture new markets and customers are essential to achieving these goals. We shall also subject our internal activities to close scrutiny, committed to thinking and acting in a manner that is even more customer-oriented.



Wolfgang Moyses
Vorstandsvorsitzender

Dirk Möller

Members of the Executive Board

Wolfgang Moyses
Chairman

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

Since October 2004 responsible for Sales, Logistics, Marketing and Technical Application Services as well as Legal Affairs and Personnel. Kirn.

Dirk Möller

Member of the Executive Board since 1993.

Responsible for Production, Research & Development, as well as Occupational Safety. Kirn.

Walter W. Janshen

Seit 1993 Mitglied des Vorstandes.

Responsible for Sales, Logistics, Marketing and Technical Application Services. Bad Kreuznach.

Contract terminated effective from 30 September 2004

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

Fitter,
Hennweiler

Karl-Ernst Schaab
Employee Representative

Commercial Clerk,
Bergen

Company profile

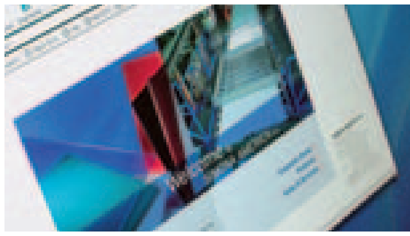
SIMONA can look back on a rich and varied history dating back to the middle of the 19th century. In 1857, Theodor and Heinrich Simon established the leather factory Carl Simon Söhne, located in the German town of Kirn. Today, SIMONA AG is recognised as one of the leading European manufacturers and distributors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

Plastics by SIMONA – truly ubiquitous

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

SIMONA AG is based in Kirn, a town located in the German state of Rhineland-Palatinate. The Kirn-based plants focus on the production of sheets, rods, profiles, and welding rods. Pipes and fittings are manufactured at the company's facility in Ringsheim. Supported by extensive storage capacities at the two main warehouses in Kirn and Ringsheim, as well as decentralised distribution warehouses, SIMONA is committed to efficient and on-time delivery of its products.

In addition, the company can rely on 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.



US market presence since January 2004

In January 2004, SIMONA AG acquired the extrusion division of US-based HPG International Inc., Mountaintop, Pennsylvania (USA). The extrusion division of HPG International was transferred to SIMONA AMERICA Inc.; production will remain with HPG for a transitional period. Relocation to company-owned manufacturing facilities has been planned for the near future.

Made by SIMONA – quality at its best

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. By developing next-generation plastics and modifying existing solutions, e.g. by means of co-extrusion of various materials, the company has opened up new opportunities for applications within the field of construction and car manufacturing.

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 land fill site technology – as well as in the field of structural engineering, advertising, or mechanical engineering. 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.

SIMONA AG
Kirn

- **SIMONA Beteiligungs-GmbH**, Kirn, 100 %
  - **SIMONA S.A.**, Domont/France, 96,6 %
  - **SIMONA S.r.l. Italia**, Vimodrone/Italy, 98 %
  - **SIMONA U.K. LIMITED**, Stafford/United Kingdom, 100 %
  - **SIMONA IBERICA SEMIELABORADOS S.L.**, Barcelona/Spain, 100 %
- **SIMONA FAR EAST Limited**, Hong Kong/China, 51 %
- **SIMONA ASIA Limited**, Hong Kong/China, 100 %
- **SIMONA-PLASTICS CZ, s.r.o.**, Prag/Czech Republic, 100 %
- **SIMONA Plast-Technik, s.r.o.**, Litvinov/Czech Republic, 100 %
- **SIMONA POLSKA sp. z o.o.**, Breslau/Poland, 100 %
- **SIMONA AMERICA Inc.**, Mountaintop/USA, 100 %
- **SIMONA Sozialwerk GmbH**, Kirn, 50 %
- **SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH**, Kirn, 50 %
- **Georg Fischer SIMONA Fluorpolymer Products GmbH**, Ettenheim, 50 %

Operating and financial review

2004 – a strong year for plastics

Following a period of lacklustre economic performance in the last three years, the German economy finally showed signs of recovery in 2004. According to data published by the Statistische Bundesamt, GDP rose by 1.7 per cent. Despite the fact that the five additional working days in 2004 contributed a significant 0.5 per cent to the overall increase in GDP, adjusted growth was nevertheless a solid 1.1 per cent. Germany's buoyant export business proved to be the principal growth driver in the period under review. However, despite the reinvigorated economy, gross capital investments remained weak at 0.7 per cent, a decline compared with the previous year. Having said that, this reduction was less prominent than in preceding years.

Registering a nominal increase in sales of 3.6 per cent, the plastics-processing industry significantly outperformed general economic growth over the course of 2004. Despite this positive trend, industry performance within the respective segments and product groups was bifurcated. Registering nominal growth of 6.8 per cent and price-adjusted real growth of 4.5 per cent, the area comprising sheets, foils, and profiles proved to be the most buoyant segment within the plastics industry, whereas products used within the construction sector recorded a further decline of 0.2 per cent in 2004.

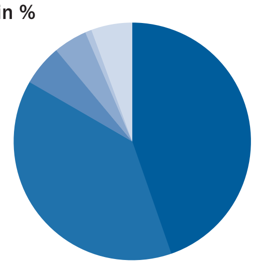
Yet again, exports were the driving force behind the favourable development of the plastics-processing industry in the period under review. Recording a year-on-year increase of 1.3 per cent, domestic sales made a rather insignificant contribution towards overall growth. In contrast, foreign sales proved a boon to the German economy, growing by an impressive 8.3 per cent compared with the previous year. The export ratio associated with the plastics-processing industry increased by 4.6 per cent. Within the area of sheets, foils and profiles it rose by 4.1 per cent to 46.3 per cent in total.

The growth rates generated within the plastics-processing industry were closely linked with the improved economic state of key sales markets. Sheets, foils, and profiles benefited from palpable demand in the field of mechanical engineering, chemical equipment engineering, and trade fair and exhibition design, as well as from a slight improvement within the construction sector. In addition, sales volumes were propelled upwards as a result of growing demand for steel and the concomitant increase in steel prices. The substitution of steel with plastics, particularly in chemical equipment engineering, led to a pronounced shift in market share and above-average gains for plastics.

Following tentative growth in the first half of 2004, German chemical production grew substantially in the second half of the year and achieved production growth of almost two per cent. Mechanical engineering also produced forward momentum in 2004, boasting record output of Euro 136 billion. With a production increase of 5.2 per cent, the mechanical engineering sector achieved the second highest growth rate in the last 15 years, following its record surge of 7 per cent in 2000. Having languished in the doldrums for several years, the trade fair and exhibition sector showed the first signs of improvement in 2004. Eight of Germany's ten largest trade fair locations reported an increase in stand-space sales as well as growing exhibitor numbers. The construction sector managed to extricate itself from the stranglehold of economic malaise, gradually clawing its way out of the trough in 2004. Whereas large and medium-sized construction companies still had to contend with below-par sales, smaller operators recorded an increase in overall revenue.

On the whole, the economic climate in 2004 was much more favourable than in previous years, resulting in a considerable increase in investment spending within a broad range of markets. Within this context, strong demand from abroad provided considerable impetus, particularly in the first three quarters of the year. In addition, the plastics-processing industry clearly benefited from the situation on the global steel market and proved to be one of the most important growth drivers for the economy, alongside the mechanical engineering sector.

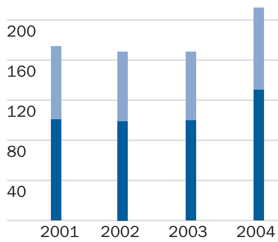
Revenue by region SIMONA AG in %



Germany	44,7
Other EU Countries	38,7
Rest of Europe	5,6
Asia	4,6
Others	0,9
America	5,6

Development of revenue SIMONA Group in EUR million

Foreign revenue
Domestic revenue



Growth surges well beyond benchmark for plastics industry

SIMONA AG increased its sales volumes considerably in 2004, taking it well beyond the industry benchmark for plastic sheets, foils and profiles. Overall, sales volumes grew by 16.2 per cent in the period under review. Growth was driven by strong demand in specific segments and regions. Business also benefited from new fields of application for SIMONA products within the automotive and construction sectors. Sales revenue was propelled upwards by 17.3 per cent to Euro 190.1 million in the AG, i.e. the parent company. This corresponds to an increase of Euro 28.0 million. Within the Group, annual sales revenue increased by 21.8 per cent to Euro 211.7 million, thus exceeding the Euro 200 million threshold for the first time in the company's history.

Prices for semi-finished plastics remained under pressure in 2004. Indeed, at the beginning of 2004 the price indices of the plastics-processing industry were actually lower than in the preceding year. Positive gains were not recorded until the second half of the year. This situation is also indicative of the challenging price structures for semi-finished plastics. Within this segment, it took until the end of the year for prices to recover. Against the backdrop of dramatic price hikes within the raw material sector, it took several months – until mid-2004 in fact – before price increases for the respective products could be passed on to customers. The third quarter, in particular, saw the gap between raw material prices and semi-finished plastics prices widen – to the detriment of manufacturers of semi-finished plastics and their earnings performance. Indeed, it is only as a result of price adjustments implemented in the final quarter that prices at the end of the year managed to regain their footing and close at a level comparable to the level recorded twelve months prior.

The increase in sales volumes by 16.5 per cent within the area of semi-finished products – sheets, rods, profiles, and welding rods – reflects the solid business performance of chemical and mechanical engineering in Germany and abroad. Sales volumes within the area of pipes and fittings improved by 15.7 per cent. The positive trend witnessed in the pipe segment was driven mainly by large-scale projects abroad. Thus, sales volumes in this area increased against the general trend within the sluggish construction sector. In terms of volume, sales within the fittings segment grew by over 30 per cent, benefiting both from piping system projects abroad and large-scale sub-contracting orders.

Export business continues to thrive

Buoyed by the strong export activities of Germany's key markets and the slight improvement in domestic demand, the company recorded an increase in sales volume of 16.4 per cent. The slight downturn in domestic revenue growth, with a year-on-year increase of 12.1 per cent to Euro 82.0 million, was attributable mainly to pricing pressures within the area of PVC. In contrast, the situation in the area of polyolefins improved slightly. Non-domestic business recorded an increase of 16.1 per cent in sales

volumes and revenue growth of 21.6 per cent, taking foreign sales to Euro 108.1 million. The AG's share of foreign business in relation to its total sales volumes remained more or less stable at 54.5 per cent, following a 0.1 percentage point reduction. The proportion of revenue generated abroad in relation to total revenue increased by 2.0 percentage points to 56.9 per cent overall. Within the Group, our revenue-based export ratio increased by 3.5 percentage points to 61.7 per cent overall.

Positive overall performance by subsidiaries

Our subsidiaries performed at different levels over the course of the financial year, having to contend with exchange-rate fluctuations and contrasting economic conditions. The Eastern European countries and SIMONA FAR EAST excelled, recording significant year-on-year gains. In contrast, Western Europe was only able to achieve average growth rates. For the first time, the results of our subsidiary SIMONA AMERICA, based in Mountaintop, Penn-syl-vania/USA, were included in the company's foreign sales for 2004.

Overall, the share of foreign sales volumes attributable directly to the subsidiaries increased by 2.2 percentage points to 76.4 per cent in total. Total sales volumes registered by the subsidiaries as part of their own activities rose by 24.6 per cent compared with the previous year; adjusted for the share attributable to SIMONA AMERICA, growth amounted to 3.5 per cent. Total revenue generated by SIMONA's subsidiaries increased by 25.6 per cent to Euro 89.9 million. Adjusted for the revenue contribution of SIMONA AMERICA, amounting to $11.1 million, total revenue generated by the subsidiaries grew by Euro 17.3 million to Euro 81.8 million.

The French economy grew by 1.9 per cent in real terms. However, the positive effects of economic growth were offset by relentless pressure on prices within the area of semi-finished plastics. This problem was compounded by the continued decline in investment spending within the area of plant and equipment engineering, mainly prompted by the relocation of production units as part of ongoing internationalisation. The restructuring measures initiated in 2003 and continued in 2004 contributed to an improvement in bottom-line results.

The Italian economy experienced a pronounced downturn in the second half of the year. Hampered by a receding export ratio, GPD grew by a mere 1.1 per cent, the weakest growth rate recorded within the euro area. Despite less than favourable economic conditions, SIMONA ITALIA managed to capture substantial market share in the period under review, particularly in the first half of the year.

The business activities of SIMONA UK were driven by an incisive sales policy geared entirely towards profitability. This included the well-judged decision to move out of less viable product categories within the point-of-sale segment. Within this context, it should be noted that intense competition in the display market from new international suppliers of PVC foamed sheets further increased the pressure on prices within this segment. Owing to improved profit margins and the reassessment of provisions, the subsidiary nevertheless managed to increase its bottom-line results.

In the Czech Republic, SIMONA-PLASTICS CZ clearly benefited from the favourable economic climate with growth of around 4 per cent. The subsidiary also succeeded in capturing additional market share. SIMONA-PLASTICS CZ posted above-par earnings in 2004.

SIMONA POLSKA continued on a path of relentless growth in the period under review. The high level of investment spending within the area of plant and equipment engineering, together with engineering projects associated with industrial piping systems and waste-water management, resulted in substantial gains both in the semi-finished plastics segment and the pipes and fittings category.

After two extremely challenging years, SIMONA FAR EAST increased its sales volumes in 2004. Growth was mainly attributable to the more favourable climate within the semiconductor and process industries. After a loss in 2003, the subsidiary managed to achieve above-par results in the period under review.

In Spain, slightly lower volumes within the area of chemical equipment engineering resulted in more intense competition and significant pressure on prices. In contrast, the use of plastics as an alternative to steel produced tangible gains. Thus, the Spanish subsidiary SIMONA IBERICA SEMIELABORADOS once again expanded its business in the financial year under review.

Operations at SIMONA AMERICA commenced at the beginning of 2004. The new enterprise had been established as part of the acquisition of HPG International's extrusion division, located in Mountaintop, Pennsylvania. SIMONA AMERICA met the specified targets in terms of sales volumes and revenues in its first year of trading. Within the area of polyolefins and PVC, the subsidiary clearly benefited from favourable market conditions in the chemical and semiconductor industries. In contrast, start-up investments as well as staff and transportation costs had a detrimental effect on bottom-line results, which were below par in the period under review.


Results impacted by price trends in raw material markets

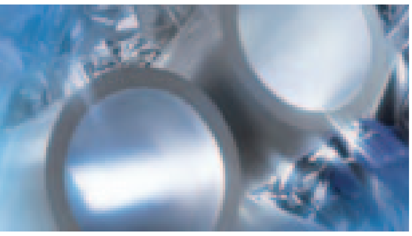
In raising sales volumes by 16.2 per cent, we clearly exceeded our original target of 10 per cent growth within this area. With an increase of 17.3 per cent, revenue generated by the company was also higher than anticipated. Revenue growth was in line with the gains achieved in terms of sales volume, without bringing any palpable improvements in profit margins – a direct result of weak price structures for semi-finished products. Owing to the dramatic surge in raw material prices witnessed in all categories from the third quarter onwards, earnings came under pressure. Against the backdrop of highly competitive market conditions, we had to wait until the beginning of the fourth quarter before we were gradually able to adjust our prices for semi-finished plastics to the increased costs associated with raw materials. Profit from ordinary activities increased by Euro 3.9 million to Euro 14.7 million. Although our EBIT margin was one percentage point higher in the period under review, i.e. 7.1 per cent, we fell short of our original target of 10 per cent.

The joint venture Georg Fischer SIMONA Fluor-polymer Products GmbH established together with Georg Fischer AG recorded a significant improvement in business over the course of 2004. The enterprise, which produces high-purity pipes and fittings, achieved earnings of Euro 0.4 million in the period under review.

Net sales increased to Euro 190.1 million in 2004, while costs associated with raw materials were 30.3 per cent higher year on year, which propelled this expense item up to Euro 104.3 million. Thus, gross profit for the AG increased by Euro 6.1 million to Euro 85.7 million in monetary terms. However, in percentage terms, this financial indicator declined from 49.1 per cent to 45.1 per cent. This trend clearly highlights the discrepancy between price increases within the area of raw materials and semi-finished products.

Staff costs associated with salaries and wages, which had remained stable in the previous year due to the transfer of personnel to the joint-venture enterprise, increased by 6.3 per cent to Euro 32.6 million in the 2004 financial year. At Euro 8.6 million, social security and pension costs were Euro 1.3 million lower in 2004 than in the preceding year due to reduced allocations to pension provisions.

Other operating expenses increased substantially in the period under review, up by 18.6 per cent, or Euro 4.1 million, to Euro 26.0 million. This figure includes additional expenses for maintenance amounting to Euro 1.4 million, a Euro 1.1 million increase in freight charges, as well as Euro 0.7 million for temporary staff hired to cover production peaks.



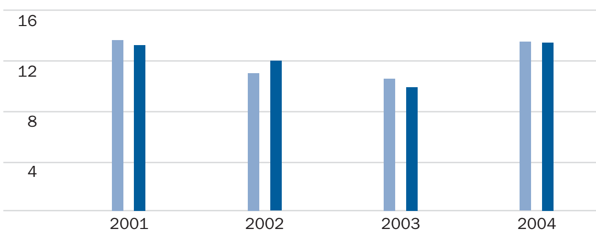
The balance sheet total of the AG, i.e. total assets = total liabilities and equity, rose by 6.1 per cent to Euro 148.9 million. This was due to changes within current and non-current assets. Intangible assets increased by Euro 1.2 million as a result of licences acquired in connection with the launch of SAP. Following the acquisition of the ownership interests in SIMONA AMERICA from HPG International, SIMONA's interest in affiliated companies increased by Euro 3.6 million. In aggregate, non-current assets increased to Euro 53.2 million as a result of the above-mentioned events.

The increase in trade receivables by Euro 2.4 million to Euro 17.4 million is attributable to higher sales volumes. Receivables from affiliated companies rose by Euro 3.2 million to Euro 20.5 million.

Liquidity remained virtually unchanged in the period under review. Due to the maturity of fixed-interest securities, the item "other securities" decreased by Euro 5.0 million, while cash increased by Euro 4.1 million to Euro 20.9 million. Other provisions rose to Euro 9.7 million as a result of increasing commitments. Trade payables decreased slightly by Euro 0.8 million to Euro 5.7 million as a result of end-of-period entries.

Development of EBIT
SIMONA Group and SIMONA AG
in EUR million

■ EBIT SIMONA Group
■ EBIT SIMONA AG



Capital expenditure

In the course of the 2004 financial year, SIMONA AG invested Euro 7.8 million in the further expansion and modernisation of its production facilities. The single largest capital investment was associated with the new extrusion line for compact PVC sheets with a width of up to two metres. Within the area of extrusion, we also invested in machinery for PVC foamed sheets with a width of up to two metres. Production on this line is to commence in 2005. Here too, we are following the trend towards sheet products with greater widths, which offer customers more flexibility in terms of processing.

In Ringsheim, growth within the area of pipes and fittings manufacture prompted the relocation of the administration unit to new premises. By relocating the administration department, we were able to merge production planning activities for pipe extrusion and fittings manufacture, thus achieving greater efficiency in terms of order processing. The total investment required for the construction of the new administration building amounted to Euro 0.4 million.

As regards intangible assets, Phase One of our SAP launch, covering Procurement, Controlling, and Accounting, resulted in capital expenditure of Euro 1.4 million. The single largest investment within this area was for licences and software, amounting to Euro 1.3 million. The increase of Euro 0.5 million in operating and office equipment was attributable to new servers installed as part of the introduction of SAP.

Employees

The number of employees within the AG grew by 23 in the 2004 financial year, up from 891 to 914 members of staff at the end of the year; the average number of staff employed during the year was 906 for the AG. Within the Group, the number of employees increased from 1,020 to 1,050 at the end of the 2004 financial year.

The number of staff absences due to illness decreased slightly in the period under review. As a result, the average staff absence ratio fell to 4.32 per cent, the lowest level ever recorded.

In the year under review, 15 apprentices successfully completed their training at SIMONA. In total, 13 apprentices were offered positions with the company. The integrated training programme initiated in 2001, which includes a part-time degree course at the University of Applied Sciences Ludwigshafen, continues to pay dividends. At present, six apprentices are participating in SIMONA's programme dedicated to part-time studies.

In total, 10 employees are on parental leave. By the end of 2004, the number of employees who had opted for part-time employment until they are eligible for retirement increased by 2, taking the total number to 32. Eleven members of staff were released from employment duties, while one member of the team went into retirement upon completion of a period of part-time employment.

Investing in the future – HR development

As in the past, a number of training programmes were implemented in 2004, with the express purpose of enhancing skill levels throughout the workforce. In total, approx. 1,000 members of staff took part. These measures included special shift-related training sessions for the respective manufacturing units, cross-departmental seminars, as well as subject-specific product and application workshops. As an integral part of our corporate training concept, the “Active Learning” programme focuses on product expertise and service-orientated customer management within our sales units, the objective being to provide sales staff with ongoing training to improve key product- and sales-related skills.

At the beginning of 2004, management made the decision to introduce SAP as a pioneering enterprise software solution. One of the prime objectives of SAP deployment is to support SIMONA’s strategy of international growth and create a solid IT foundation for process optimisation within the area of operations. Improved quality of service for customers has been identified as one of the main benefits of this technology – from supply capability and fulfilment to cost transparency. Displaying commitment and dedication, the SAP team successfully implemented the Accounting, Controlling, Procurement and Inventory Management modules at the end of the year, thus achieving an important milestone in line with our schedules and targets.

The next phase of this project involves the introduction of modules for production planning and control, sales as well as warehousing. Commencing in 2005, implementation of these elements will be challenging, with a great deal of additional time and effort required from our staff. In view of the successful execution of Phase One, we are confident that the second part of the project will be brought to fruition within the specified time frame – thanks to a concerted effort by all those involved.

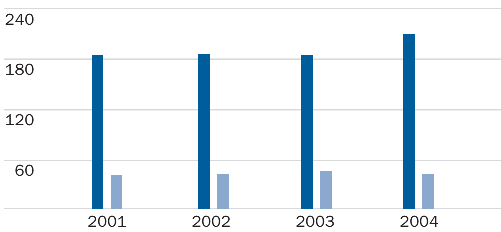
In total, 66 school-leavers took part in German-style apprenticeships in 2004. These included:

- Process Mechanics in Plastics and Rubber Technology,
- Energy Electricians, specialising in operations technology,
- Industrial Mechanics, specialising in operating technology,
- Specialists in Warehouse Logistics,
- Industrial Clerks (Diplom-Betriebswirt, integrated part-time degree course),
- Computer Specialists.

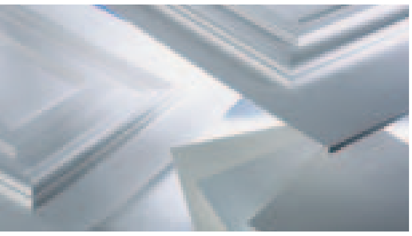
Revenue and expense per employee (EUR ‘000) SIMONA AG

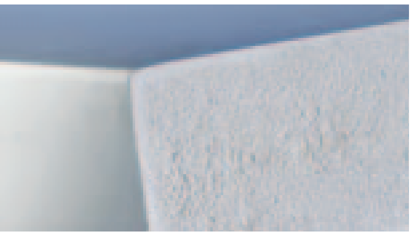
■ Revenue per employee

■ Expense per employee



Research and development





The main focus of our research and development activities in the year under review was on process optimisation within the area of multilayer extrusion, operational improvements relating to the production of foamed and compact PVC sheets, the next-generation development of PC-Blend products for use in door fabrication, the development of transparent sheets with increased temperature resistance and impact strength, as well as enhancements to formulae used within the area of polyvinyl chlorides.

Research and development work on multilayer sheets with various structures and diffusion barriers for use in the automotive industry was completed in the period under review; industrial manufacture of these products commenced shortly afterwards. Multilayer sheets form the basis for the manufacture of complete fuel tanks using a single-step thermoforming process. With the help of this new technology, in/out fluid lines are no longer required, thus avoiding potential weaknesses in the diffusion barrier.

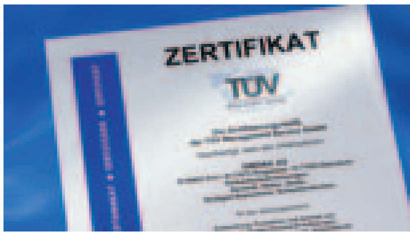
Key focus – Customer-orientated optimisation of material properties

PC-Blend Woodgrain sheets are an effective alternative to conventional products used by door manufacturers, particularly as the range of products traditionally deployed within this area often prove to be of sub-standard quality. The newly developed sheets, which are marketed as premium-quality solutions within our SIMONA® ProDoor Product Range for Professional Door Manufacturers, feature long-term UV stability and outstanding resistance to extreme temperature fluctuations, thereby making them non-susceptible to cracking. Thus, they deliver significant value added compared with conventional door components, which are susceptible to discoloration, warping, and cracking in the profiles and reliefs when exposed to heat and ultraviolet rays over an extended period of time. In addition to the PREMIUM line featuring a range of wood decors, we are currently working on coloured versions with enhanced material properties. These are to be launched as PREMIUMplus solutions.

Process optimisation within the area of PVC foamed sheets was mainly focused on further improving the formula and rheology relating to integral skin foamed sheets with a higher degree of thickness. Within this context, we also focused on optimising the material's fire rating, the prime objective being to attain official approval for use in interior and exhibition stand design in accordance with French fire testing standards.

Our product portfolio for applications within the semiconductor industry was further extended in the period under review following approval for a new post-chlorinated PVC material and its certification in accordance with fire tests conducted by the FM Institute (USA). Furthermore, we completed a process optimisation programme relating to the extrusion of chlorinated PVCs with increased thermal stability and chemical resistance, as deployed in the area of chemical equipment engineering. Following commencement of industrial production, we will be able to offer customers a new type of PVC-C for the purposes of chlorine electrolysis.

Quality and environmental management



Alongside customer orientation, profitability, and environmental protection, quality is one of the foremost corporate priorities at SIMONA AG. Committed to these principles, SIMONA AG further extended its integrated quality management system comprising "Quality Management ISO 9001" and "Environmental Management ISO 14001".

In opening up new markets, particularly within the automotive sector, we have also had to realign our quality management. In the period under review, we completed preparations to certify our QM system in accordance with ISO/TS 16949:2002 for the automotive industry. The certification audit will take place in April 2005.

The requirements of ISO/TS 16949:2002 regarding consistent quality targets for all areas of the company engaged in activities that may influence quality were addressed accordingly. Within this context, we defined specific quality targets for the respective departments and sections in 2004, a process which will be extended to all areas of the company over the course of 2005.

Certification for testing laboratory

As part of our activities to expand the company's quality management system, we were granted DIN EN ISO 17025 certification. This certification attests to the conformity of our testing laboratories with "General Requirements for the Competence of Testing and Calibration Laboratories". It forms the basis for the general acceptance and recognition of SIMONA's product- and customer-specific laboratory tests by public authorities, assessors, and officially appointed experts.

Furthermore, several customer- and market-specific certifications were completed in the period under review. Our PVC-C semi-finished plastics were rated as low-flammability products by the US-based FM Institute – an essential prerequisite for the use of these products in the semiconductor industry. SIMONA® PVC-CAW sheets were granted certification for use as interior components in railway vehicles in accordance with Russian and Ukrainian regulations.

One of the key performance ratios within our quality-orientated manufacturing enterprise is the so-called complaints ratio. The complaints ratio, representing justified complaints in relation to sales volume, stood at 0.2 per cent in 2004. Thus, both the complaints ratio and the associated complaints-related expenses remained unchanged year on year. Customer-orientated, fast-track processing of complaints is one of the key objectives within the area of customer service. In the period under review, we met the target of processing 75 per cent of all complaints within 15 days after receipt.

Risk report

The risk management system is centred around an Intranet-based information portal that spans the entire company. As part of this system, possible risks are documented from a corporate and a segment/departmental perspective. These risks are permanently monitored, evaluated and ranked as part of a three-tier risk management report. Within this context, 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 are 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.

Neither risks that are considered to jeopardise the company as a going concern nor concentration of risks associated with the company's trading environment and sector are deemed to have existed in the period under review or at the time the management report was published.

Diversification to minimise market and sector-related risks

Risks relating to the company's trading environment and sector are limited chiefly to economic risks such as the general performance of specific industries as well as product portfolios associated with the respective sectors in which the company operates. The downturn in growth rates recorded in many of our sales markets within the Western European economic region and the relocation of production facilities to Asia and Eastern Europe constitute potential risks, but also opportunities, as regards the future progression of the company. As part of mid- to long-term strategic planning, we have been assessing the growth potential of regional markets and the opportunity of participating in this growth with company-owned production units in Eastern Europe and China.

Exchange rates constitute an inherent risk within the international business environment, particularly when an increasing proportion of sales is generated outside the euro area. Within this context, one of the main issues to be addressed is currency-related volatility vis-à-vis the US dollar. In expanding the production activities of SIMONA AMERICA, we have reduced the price risk relating to foreign currency exchange rates – a risk we had previously been exposed to as a producer within the European Economic Area.

The increase in raw material prices constituted a considerable risk in terms of earnings performance in the period under review and contributed to the significant deterioration in the company's general position in terms of profit. In addition to the above-mentioned price trends, availability levels of particular materials were critical due to production shortfalls on the supply-side. Owing to the oligopolistic supply structures, the chances of minimising risk with regard to raw material availability are deemed to be very limited indeed.

There were no risks related to corporate strategy within the area of investments or locations in the year under review. The business performance of SIMONA AMERICA over the course of the financial year under review remained within the target parameters. The loss incurred in the first financial year of independent trading was due to start-up investments. Additionally, the high proportion of transport costs had an adverse effect on bottom-line results.

Bad debt risk remains low

In the financial year under review, there was no evidence of performance-related risks subject to disclosure requirements. The risk arising from receivables remains low, which is a tribute to thorough credit ratings and monitoring of our domestic and foreign customers. The increase in trade receivables is the direct result of higher sales volumes. Default-related risk associated with specific customers was limited by credit insurance and the timely cut-off of deliveries in the case of outstanding payments. The carrying amounts of inventories were assessed on a regular basis, and adjustments in the form of allowances were made for specific products.

There were no personnel-related risks associated with fluctuation or resignation in key positions in the financial year under review. Appropriate succession plans and provisions have been defined as part of our HR risk management system. Measures to attract and retain young management professionals in conjunction with integrated part-time degree courses continued in 2004.

There were no significant financial risks requiring specific disclosure in 2004. Company liquidity declined by Euro 1.0 million in 2004. However, with cash resources of Euro 22.3 million, it remains very solid. Risks attributable to exchange rate fluctuations were addressed by means of forward cover or hedging insofar as this was possible within the commercial framework.

The company was not exposed to other risks, in particular those relating to legal proceedings and organisational structures or risks due to the complete or partial lack of control and management systems.

Outlook

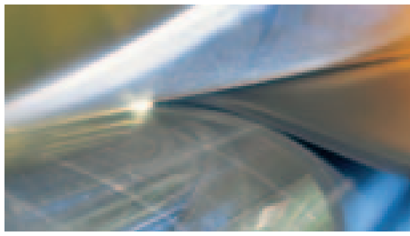
Presenting an outlook is extremely difficult, given the divergent economic forecasts currently available. Market data for the US remains relatively optimistic, with growth estimates of over 3.0 per cent for 2005. However, the latest surveys published within this area are more conservative. Indeed, only 40 per cent of senior executives in the US expect production growth, and a third of those surveyed have even predicted a reduction in industrial output. Thus, market confidence has clearly deteriorated compared with the previous year.

More subdued growth in the US would undoubtedly have a detrimental effect on global economic performance. In fact, it is likely that the tentative growth forecasts of between 1.5 and 2.5 per cent within the EU would have to be revised downwards if the US economy came under pressure.

Prompted by Germany's lacklustre economic performance in the fourth quarter of 2004, leading economists and research institutes scaled back their growth forecasts to just 1 per cent. The revised figures reflect the prevailing malaise in terms of domestic consumer spending. At present, foreign demand is seen as the only significant growth driver. However, there are already signs of a downturn in overseas demand within the processing sector. Within the industrial goods sector, incoming orders placed by domestic operators in December were substantially higher than those placed by organisations based outside Germany. This trend continued in the first two months of the 2005 financial year.

Cautious forecasts for the plastics industry

Against this backdrop of economic uncertainty, the forecasts published for the respective industries remain relatively cautious. The chemical industry expects growth of one per cent both in terms of sales volume and revenue. Within this area, it is hoped that exports will become the main driving force behind recovery. Owing to this subdued level of growth, investing activities within the chemical industry are likely to be scaled back. It seems unlikely that the mechanical engineering sector will be able to emulate its previous growth performance in the 2005 financial year. Alongside the cyclical decline in business, the significant downturn in domestic demand at the beginning of 2005 was cause for concern. The construction sector has predicted a slight recovery for 2005, both in terms of incoming orders and business performance. However, this forecast is based on economic growth of 1.4 per cent and is likely to be revised downwards over the course of 2005.



Despite the divergent estimates, the German Association of the Plastics Processing Industry has forecast domestic growth of 3.5 to 4 per cent in the plastics-processing sector. As in previous years, the main impetus is expected to come from substantial export activities. Market pundits are in agreement that the level of earnings within the plastics-processing industry will once again depend on the degree to which increased raw material and energy costs can be offset by higher sales prices for plastics.

The general economic situation is reflected in the order backlog for January and February 2005. Accumulated sales volumes for the first two months were slightly lower than in the same period a year ago. It is difficult to gauge whether this is a trend driven by the prevailing economic climate. Faced with additional price hikes for semi-finished plastics, a number of processing companies had increased their inventory levels in December and were therefore able to cover their requirements from stock at the beginning of 2005. With this in mind, we shall have to wait until March and April before making more targeted predictions.

Owing to the unexpectedly subdued level of incoming orders, the overall forecast for 2005 is more conservative than for the preceding year, both in terms of sales volume and revenue. Accounting for cyclical effects, which were also evident after the outstanding performance in 2000, we believe that sales volumes will grow by 2.4 per cent in the 2005 financial year. Based on the premise that prices for semi-finished plastics will remain stable and raw material costs will remain high, this would translate into revenue growth of 5 per cent for the AG.

If we continue to record exponential growth in Eastern Europe and are able to expand SIMONA AMERICA's business in line with our targets, consolidated revenue is expected to increase by 7 per cent.

These growth forecasts have been calculated on the basis of current economic data and on the assumption that we gain access to new markets with an extended product range, expand our sales activities in the growing regional markets of Eastern Europe, capture additional market share in the US, and implement measures for improved market penetration in Asia.

Earnings performance dominated by raw material costs

Earnings performance is currently dominated by raw material costs on the one hand and prices for semi-finished products on the other. At present, it seems likely that raw material prices will stabilise at a relatively high level. However, crude oil prices remain an important factor with regard to raw material costs; an increase in energy and wage costs is likely to have an impact on earnings. Prices for semi-finished plastics will also come under pressure as a result of new market entrants from Central and Eastern Europe, who are able to operate with more favourable wage structures.

Committed to an incisive capital expenditure policy – focusing mainly on efficiency and quality improvements within the area of production – as well as a well-judged approach to HR management and the continued enhancement of internal workflow, we intend to bolster the company's earnings performance. In particular, this includes the introduction of SAP enterprise software, which is to be launched within the areas of production planning and control, sales processing, and warehouse management towards the end of 2005. These measures are designed to improve net profit from ordinary activities by 5 per cent to Euro 15.4 million.

Drawing on our technological prowess built up over the past years and our commitment to international growth, SIMONA AG is well equipped to seize these opportunities.

Corporate Governance Report of the Supervisory Board and the Management Board of SIMONA AG

Germany has implemented a legal framework designed to make corporate governance and reporting systems of exchange-listed companies more transparent and more efficient. This framework is based on the German Corporate Governance Code, as adopted by the Cromme Commission, in the revised version of May 21, 2003. SIMONA AG has met the majority of requirements specified within 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

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.

Transparency of Management Board and Supervisory Board compensation

- »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 a long-term incentive.«

The compensation package of the members of the Management Board of SIMONA AG comprises a 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 should be presented in an individualised format.«

Details regarding Management Board compensation are disclosed in the Compensation Report, subdivided according to fixed and performance-related components. In addition, the principles of the Company's remuneration system as well as the specific structure of remuneration components with a long-term incentive and attendant risks are published on the corporate website and discussed in the Compensation Report. However, in contrast to the Corporate Governance Commission, 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.«

The level of compensation is commensurate with the responsibilities and duties of the Supervisory Board members. In the opinion of the Supervisory Board of SIMONA AG, performance-related compensation of the Supervisory Board members would not encourage or promote independent actions of the Supervisory Board members. Supervisory Board compensation is disclosed as part of the Compensation Report, using an individualised format.

Structure of the Supervisory Board and its Committees

- »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. 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 is beneficial to the efficient running of the Committee rather than counterproductive.

Disclosure of shareholdings, annual financial statements, and interim financial statements for the first six months

- »The shareholdings, including options and derivatives, held by individual Management Board and Supervisory Board members shall be disclosed if these directly or indirectly exceed 1 per cent of the shares issued by the Company. If the entire holdings of all members of the Management Board and Supervisory Board exceed 1 per cent of the shares issued by the Company, these holdings shall be disclosed separately for the Management Board and the Supervisory Board." «

The specific shareholdings of Supervisory and Management Board members are disclosed as part of the consolidated financial statements. In addition, this information is published on the internet.

- »The Consolidated Financial Statements and Interim Reports shall be prepared under observance of internationally accepted accounting principles."«

The Supervisory Board and the Management Board of SIMONA AG have decided to apply internationally accepted accounting principles from the 2005 financial year onwards. In the meantime, 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 will make the consolidated financial statements and the interim reports available to the public within the statutory time frames. In applying internationally acceptable accounting principles, the Company shall endeavour to bring the date of disclosure forward.

Disclosure on the internet

SIMONA AG also publishes its declaration of conformity, compensation report, and corporate governance report on the internet. In addition, all facts deemed to be of relevance are disclosed on our website in order to reach a broad audience and establish a level playing field for shareholders, analysts, and other stakeholders.

Compensation Report of SIMONA AG

Our compensation report outlines the key principles applied when determining remuneration levels for the Management Board of SIMONA AG. It also presents the structure and extent of compensation for the Management Board. In addition, this report outlines the general principles applied and the extent of compensation for the Supervisory Board, as well as providing details regarding shareholdings of Management Board and Supervisory Board members.

I. Compensation of the Management Board

1. Determining Management Board compensation

The Personnel Committee within the Supervisory Board is responsible for determining the level of compensation for the Management Board. The Personnel Committee is composed of the Chairman of the Supervisory Board Dr. Wolfgang Bürkle, the Deputy Chairman of the Supervisory Board Hans-Wilhelm Voss, as well as the member of the Supervisory Board Hans-Werner Marx.

2. Structure of Management Board compensation

Compensation for the members of the Management Board of SIMONA AG is calculated on the basis of the size of the Company, its commercial and financial position, as well as the level and structure of compensation granted to Management Board members of similar enterprises. In addition, the duties and the contribution of the respective Management Board members are taken into account.

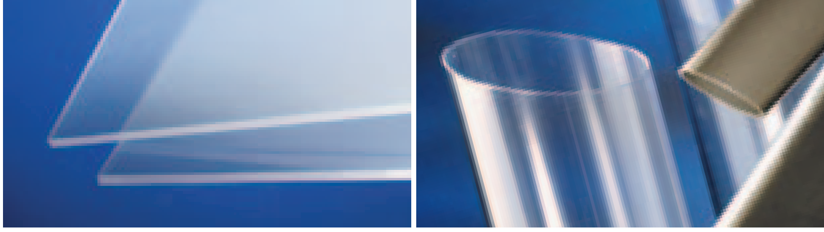
Management Board compensation is performance-orientated. It is comprised of a fixed level of remuneration as well as a variable component in the form of a bonus. Both of the aforementioned components are assessed on an annual basis. In addition, both components are subject to thorough analyses in intervals of two to three years, based on a comparison with compensation figures applicable to executive staff of similar enterprises. The most recent assessment was conducted in 2004.

The target remuneration defined for the 2004 financial year was comprised of a fixed component of compensation (salary) of 70 per cent and a variable component (bonus) of 30 per cent.

The fixed component of compensation is paid as a salary on a monthly basis. In addition, the members of the Management Board receive a bonus, the level of which is dependent on attaining specific financial targets which are mainly calculated on the basis of the Company’s revenue and earnings performance.

3. Management Board compensation for the 2004 financial year

Total compensation for the Management Board amounted to Euro 802 thousand (FY 2003: Euro 759 thousand) in the 2004 financial year. This figure was comprised of Euro 564 thousand in fixed-level remuneration and Euro 238 thousand in bonus payments. The Company does not grant loans to members of the Management Board.



II. Supervisory Board compensation

Supervisory Board compensation has been determined by the General Meeting of Shareholders. It is subject to the provisions of the Bylaws. Supervisory Board compensation is calculated according to the size of the company, as well as the duties and responsibilities of the Supervisory Board members. The Chairman and the Deputy Chairman receive supplementary compensation.

Supervisory Board compensation is comprised solely of fixed components: members of the Supervisory Board receive a fixed amount of Euro 7,500. The Chairman of the Supervisory Board receives an amount equivalent to double the standard level of compensation; the Deputy Chairman receives an amount equivalent to one and a half times the standard level of compensation. All expenses associated directly with a position on the Supervisory Board, as well as sales tax, are reimbursed.

In 2004, Supervisory Board compensation amounted to Euro 56.2 thousand (FY 2003: Euro 56.2 thousand) in the AG and Euro 87 thousand (FY 2003: Euro 87 thousand) in the Group. The distribution of compensation was as follows:

	AG	Group
Dr. Wolfgang Bürkle, Chairman	15,0 EUR ‘000	30,4 EUR ‘000
Hans-Wilhelm Voss, Deputy	11,2 EUR ‘000	26,6 EUR ‘000
Hans-Werner Marx	7,5 EUR ‘000	7,5 EUR ‘000
Roland Frobel	7,5 EUR ‘000	7,5 EUR ‘000
Bernd Meurer	7,5 EUR ‘000	7,5 EUR ‘000
Karl-Ernst Schaab	7,5 EUR ‘000	7,5 EUR ‘000

The Company does not grant loans to members of the Supervisory Board.

III. Shareholdings of the Management Board and the Supervisory Board

As at June 27, 2004, members of the Management Board held a total of 69,826 shares; this corresponds to 11.6 per cent of the share capital of SIMONA AG. Members of the Supervisory Board held 152,326 shares, which corresponds to 25.4 per cent of the share capital.

In accordance with Section 15a of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG), the members of the Supervisory Board and the Management Board, as well as related parties, are legally obliged to disclose all significant acquisitions or disposals of shares in SIMONA AG. In the period under review, no transactions of this kind were reported to the Company.

Financial Statements SIMONA Group and SIMONA AG

The annual financial statements for the SIMONA Group and SIMONA Aktiengesellschaft (AG) are discussed in a joint section. Specific items relating to the balance sheet and the income statement have been aggregated in order to provide a more efficient overview.

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

Consolidated Balance Sheet SIMONA Group as at 31 December 2004

Assets EUR '000	31.12.2004		31.12.2003	
Non-current assets				
Industrial property rights and similar rights	2,248		837	
Intangible assets		**2,248**		**837**
Land, leasehold rights and buildings including buildings on third-party land	20.522		21,220	
Technical plant and machinery	17,355		16,740	
Other plant, operating and office equipment, furniture and fixtures	9,597		8,548	
Prepayments and assets under construction	487		1,808	
Property, plant and equipment		**47,961**		**48,316**
Investments	30		23	
Financial assets		**30**		**23**
		50,239		**49,176**
Current assets				
Raw materials and consumables	11,956		9,362	
Finished goods	27,146		24,180	
Inventories		**39,102**		**33,542**
Trade receivables	35,027		31,506	
Receivables from enterprises in which the company has a participating interest	1,077		1,611	
Other current assets	3,247		4,131	
Receivables and other assets	**39,351**		**37,248**	
Treasury shares	133		133	
Other securities	1,327		6,369	
Securities		**1,460**		**6,502**
Cash, demand deposits at banks and cheques		**22,797**		**18,120**
		102,710		**95,412**
Prepaid expenses		**189**		**461**
Deferred taxes		**601**		**720**
Total Assets		**153,739**		**145,769**

Equity and liabilities

EUR '000		31.12.2004		31.12.2003
Shareholders' equity				
Issued capital		**15,500**		**15,500**
Capital reserves		**15,032**		**15,032**
Legal reserves	397		397	
Reserves for treasury shares	133		133	
Statutory reserves	2,847		2,847	
Other revenue reserves	55,577		52,617	
Revenue reserves		**58,954**		**55,994**
Accumulated Group profit brought forward	2,583		3,283	
Net profit after minority interest	9,344		6,417	
Equity generated (after minority interest)		**11,927**		**9,700**
Adjustment for interests of non-Group shareholders according to their equity share		**442**		**449**
Currency translation differences		**57**		**33**
		101,912		**96,708**
Provisions				
Retirement benefit obligations	25,216		25,112	
Provisions for taxes	1,398		173	
Other provisions	11,001		8,470	
		37,615		**33,755**
Liabilities				
Bank borrowings	83		92	
Trade payables	7,497		7,505	
Drafts and notes payable	0		3	
Payables to enterprises in which the company has a participating interest	38		376	
Other liabilities	6,594		7,330	
		14,212		**15,306**
Total Equity and liabilities		**153,739**		**145,769**
Contingent liabilities		178		148

Balance sheet SIMONA AG as at 31 December 2004

Assets

EUR '000	31.12.2004		31.12.2003	
Non-current assets				
Industrial property rights and similar rights	2,009		828	
Intangible assets		**2,009**		**828**
Land, leasehold rights and buildings	19,997		20,614	
Technical plant and machinery	14,222		15,424	
Other plant, operating and office equipment, furniture and fixtures	8,797		7,815	
Prepayments and assets under construction	451		275	
Property, plant and equipment		**43,467**		**44,128**
Interests in affiliated companies	5,702		2,135	
Investments	2,023		2,023	
Financial assets		**7,725**		**4,158**
		53,201		**49,114**
Current assets				
Raw materials and consumables	10,181		8,919	
Finished goods	20,327		20,313	
Inventories		**30,508**		**29,232**
Trade receivables	17,360		15,001	
Receivables from affiliated companies	20,508		17,306	
Receivables from enterprises in which the company has a participating interest	2,059		2,226	
Other current assets	2,837		3,728	
Receivables and other assets		**42,764**		**38,261**
Treasury shares	133		133	
Other securities	1,327		6,369	
Securities		**1,460**		**6,502**
Cash, demand deposits at banks and cheques		**20,875**		**16,800**
		95,607		**90,795**
Prepaid expenses		**71**		**345**
Total Assets		**148,879**		**140,254**

Equity and liabilities

EUR '000	31.12.2004		31.12.2003	
Shareholders' equity				
Issued capital		**15,500**		**15,500**
Capital reserves		**15,032**		**15,032**
Legal reserves	397		397	
Reserves for treasury shares	133		133	
Statutory reserves	2,847		2,847	
Other revenue reserves	60,502		55,577	
Revenue reserves		**63,879**		**58,954**
Unappropriated surplus		**8,338**		**7,605**
		102,749		**97,091**
Special item with reserve component		**229**		**229**
Provisions				
Retirement benefit obligations	25,216		25,111	
Provisions for taxes	1,265		111	
Other provisions	9,654		7,439	
		36,135		**32,661**
Liabilities				
Liabilities to banks	0		0	
Trade payables	5,679		6,533	
Payables to enterprises in which the company has a participating interest	3		2	
Other payables	4,084		3,738	
		9,766		**10,273**
Total Equity and liabilities		**148,879**		**140,254**
Contingent liabilities		41		24

Income Statement SIMONA Group for the year ended 31 December 2004

EUR '000	31.12.2004		31.12.2003	
Revenue	211,676		173,765	
Increase (FY 2003: decrease) in inventories of finished goods	2,966		(2,994)	
Total operating performance		**214,642**		**170,771**
Other operating income		**3,393**		**2,334**
Raw materials and consumables	114,053		80,734	
Services purchased	1,967		455	
Cost of materials		**116,020**		**81,189**
Wages and salaries	37,183		34,469	
Social security and pension cost	9,820		10,993	
Staff costs		**47,003**		**45,462**
Depreciation of property, plant and equipment, and amortisation of intangible assets		7,962		9,431
Other operating expenses		33,262		26,176
Income from investments		316		0
Other interest and similar income		673		712
Interest and other expenses		79		97
Profit from ordinary operations		**14,698**		**11,462**
Income taxes		5,071		4,782
Other taxes		275		301
Net profit for the year		**9,352**		**6,379**
Profits/(loss) attributable to other shareholders		(8)		38
Net profit after minority interest		**9,344**		**6,417**

Income Statement SIMONA AG for the year ended 31 December 2004

EUR '000	31.12.2004		31.12.2003	
Revenue	190,089		162,045	
Increase (FY 2003: decrease) in inventories of finished goods	14		(2,357)	
Total operating performance		**190,103**		**159,688**
Other operating income		**2,392**		**1,952**
Raw materials and consumables used, and goods purchased	104,253		79,999	
Cost of services purchased	116		79	
Cost of materials		**104,369**		**80,078**
Wages and salaries	32,644		30,717	
Social security and pension cost	8,556		9,902	
Staff costs		**41,200**		**40,619**
Depreciation of property, plant and equipment, and amortisation of intangible assets		7,399		9,090
Other operating expenses		25,957		21,887
Income from investments		390		56
Other interest and similar income		769		805
Interest and similar expenses		18		28
Profit from ordinary operations		**14,711**		**10,799**
Income taxes		4,733		4,752
Other taxes		127		126
Net profit for the year		**9,851**		**5,921**
Accumulated profit brought forward		7,605		8,538
Dividend payment		4,193		3,894
Allocation to other revenue reserves		4,925		2,960
Unappropriated surplus		**8,338**		**7,605**

Notes to the Financial Statements 2004 SIMONA AG and SIMONA Group

Statement of Compliance / General Information

The consolidated financial statements and the separate financial statements of SIMONA AG have been prepared in accordance with the requirements of the German Commercial Code (Handelsgesetzbuch – HGB), the Bylaws and the supplementary provisions specified in Sections 150 et seq. of the German Stock Corporation Act (Aktiengesetz – AktG).

For the purpose of clarity, separate items in the balance sheet and the income statement have been aggregated and explained in the notes to the financial statements.

The income statements have been prepared on the basis of the nature of expense method.

The following explanatory notes have been presented in combination for the consolidated financial statements and the separate financial statements of SIMONA AG. Unless otherwise stated, the information contained herein shall apply to the financial statements for the Group and the parent company.

Composition of Consolidated Group

The consolidated financial statements encompass SIMONA Aktiengesellschaft as the parent company, the enterprise SIMONA Beteiligungs-GmbH, Kirn/Germany, in which an interest is held, and eight foreign subsidiaries. The consolidated group was extended to include the subsidiary company SIMONA AMERICA Inc, Mountaintop/USA, which was established in 2004.

In accordance with Section 298 (2) HGB, the subsidiary companies Simona Plast-Technik s.r.o., Litvinov/Czech Republic, as well as SIMONA ASIA Limited, Hong Kong/China, were not included in the consolidated group as these entities are deemed to be of subordinate importance as regards the fair presentation of the financial position, financial performance and cash flows.

Pursuant to Section 310 HGB, the consolidated financial statements of Georg Fischer SIMONA Fluorpolymer Products GmbH, Ettenheim, in which an interest is held, were included in the scope of consolidation on a pro-rata basis.

In accordance with Section 311 (2) HGB, the accounting provisions specified in Section 311 (1) HGB regarding the accounting for the associated companies SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn, and SIMONA Sozialwerk GmbH, Kirn, were not applied, as these entities are deemed to be of subordinate importance as regards the fair presentation of the financial position, financial performance and cash flows.

Accounting Policies and Principles of Consolidation

Accounting Policies

The separate financial statements of the consolidated German and foreign subsidiaries have been uniformly prepared in accordance with the parent's accounting policies, which are in compliance with the provisions of HGB regarding accounting and valuation requirements.

No adjustments were made for immaterial differences in valuations, as such differences have an insignificant effect on the Group's financial position, financial performance and cash flows.

Prudence was exercised whenever the selection of accounting policies is at the company's discretion.

As in the previous year, the following accounting policies were applied when preparing the consolidated and separate financial statements.

Purchased **intangible assets** are recorded at their cost of acquisition and, to the extent that their useful lives are finite, their carrying amount is appropriately reduced by systematic amortisation. Coinciding with the founding of the subsidiary company SIMONA AMERICA Inc., Mountaintop/USA, goodwill was acquired by the aforementioned subsidiary. In the separate financial statements, this goodwill is amortised over a period of four years.

Property, plant and equipment are initially recorded at cost of purchase or cost of conversion and, to the extent that their useful lives are finite, their carrying amounts are reduced by systematic depreciation.

Assets relating to property, plant and equipment of the parent company SIMONA AG are written down according to their estimated useful lives on the basis of the maximum rates permissible under tax law. The diminishing balance method of depreciation is applied to movable assets insofar as this is permissible under tax law. Transition to the straight-line method occurs in the year in which the straight-line method results in higher annual depreciation charges. The remaining non-current assets are written down using the straight-line method of depreciation. Low-cost assets with a value of up to EUR 410.00 are written down fully in the year they are recognised as additions to assets; within this context, it is assumed that an immediate disposal/retirement of the asset has taken place. Depreciation on additions to property, plant and equipment is performed pro-rata temporis.

As regards the subsidiary companies, both the straight-line and the diminishing balance method of depreciation are applied. Within this context, the maximum charges permissible under tax law are recognised.

Equity interests included in **financial assets** are recorded at their cost of acquisition.

Inventories are stated at the lower of purchase or conversion cost and current cost.

The cost of raw materials and finished goods held by the parent and the Italian and French subsidiaries is determined on a last-in, first-out basis. The differences in these amounts to those resulting from measurement on the basis of the exchange price or the market price at the balance sheet date have been presented as part of the explanatory notes to inventories.

The inventories associated with **consumables** have been capitalised at the lower of average historical cost or current cost at the balance sheet date.

Finished goods have been measured at manufacturing cost (cost of conversion) according to item-by-item calculations based on current operational accounting; in addition to the directly related cost of direct material, direct labour and special production costs, this item also includes production and material overheads as well as depreciation in accordance with the minimum requirements specified under German tax law.

As in the previous year, all other items held in inventories are stated at the lower of purchase or replacement cost at the balance sheet date.

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

Intra-group transactions in consolidated inventories have been eliminated.

Receivables and other assets are carried at their nominal values. All items subject to risk are written down on an item-by-item basis; where items are subject to a general credit risk, a general allowance is recognised.

Other securities are stated at the lower of cost or fair value in accordance with Section 253 (3) HGB.

Pension provisions, i.e. retirement benefit obligations, are stated at amounts permissible under tax legislation. Pursuant to Section 6a of the Income Tax Act (Einkommensteuergestz – EStG), the so-called “Teilwert” (“partial value”, relating to allocation from date of entry into service) was determined on the basis of actuarial principles in conjunction with actuarial tables for 1998 using a discount rate of 6 %.

Tax and other provisions were created with reference to liabilities, the timing or amount of which were uncertain at the balance sheet date or in consideration of future losses on pending transactions. They are carried at the amount that is deemed appropriate according to reasonable commercial judgement.

Liabilities are stated at their repayment amount.

Currency Translation

In the separate financial statements of SIMONA AG, receivables and liabilities denominated in **foreign currencies** are carried at the foreign exchange rate applicable at the date the receivables or liabilities arose, insofar as changes in foreign currency exchange rates do not necessitate a reduction in the carrying amounts of receivables or an increase in the carrying amounts of liabilities. Bank deposits or liabilities denominated in foreign currencies are translated at the closing rate.

The separate financial statements of consolidated subsidiaries presented in foreign currencies were translated in the following manner:

Changes in non-current assets and any other balance sheet items are translated on the basis of the closing rate. Translation differences with respect to non-current assets are shown in the column "Translation Differences" of the Consolidated Statement of Changes in Fixed Assets.

All income statement items were translated at the closing rate.

The effects relating to the application of different closing rates from one period to another are accounted for directly in the Consolidated Statement of Changes in Equity.

Principles of Consolidation

The so-called "Buchwertmethode" (book value method) was used to consolidate capital by offsetting purchase cost against the proportion of the consolidated subsidiary's equity attributable to the Group at the time of acquisition.

The transitional arrangements provided by Section 27(1) of the Introductory Act to the German Commercial Code (Einführungsgesetz zum HGB – EGHGB) were applied at the date of initial consolidation on 31 December 1989. In accordance with Section 309 HGB, any negative goodwill arising on initial consolidation was recognised as income in the income statement, as this constituted realised profit.

Intercompany receivables and payables, sales, as well as any expenses and income arising on transactions between consolidated companies have been offset against each other. Unrealised profits arising in connection with intercompany transactions have been eliminated.

As regards consolidation affecting income, the income tax effects were accounted for accordingly and deferred taxes were recognised insofar as these were related to timing differences.

Explanatory notes to the balance sheets

Non-current assets

Changes to the consolidated non-current assets of the SIMONA Group have been presented in a consolidated fixed assets schedule, while changes to the non-current assets of SIMONA AG have been presented in a fixed assets schedule.

In the consolidated financial statements, non-current assets in the amount of EUR 2,889 thousand are attributable to the joint venture enterprise Georg Fischer SIMONA Fluorpolymer Products GmbH, which was included in the consolidated financial statements on a pro-rata basis.

Details of shareholdings

A list of shareholdings has been filed with the Bad Kreuznach District Court.

Inventories

In the case of inventories attributable to the parent company as well as the Italian and French subsidiaries, the LIFO method is applied accordingly. The LIFO measurement of inventories entails the classification of inventories into appropriate groups, which are then valued at the lower of cost and net realisable value. The difference arising from the application of this method compared with the average cost method amounted to EUR 7,134 thousand as regards the consolidated financial statements and EUR 7,037 thousand as regards the separate financial statements.

In the consolidated financial statements, inventories in the amount of EUR 637 thousand are attributable to the joint venture enterprise Georg Fischer SIMONA Fluorpolymer Products GmbH, which was included in the consolidated financial statements on a pro-rata basis.

Receivables and other assets

In the consolidated financial statements, all receivables and other assets are due within one year.

In the separate financial statements of SIMONA AG, all receivables and other assets are due within one year.

In the consolidated financial statements, receivables and other assets in the amount of EUR 652 thousand are attributable to the joint venture enterprise Georg Fischer SIMONA Fluorpolymer Products GmbH, which was included in the consolidated financial statements on a pro-rata basis.

Securities

Treasury shares (own equity instruments) comprise 1,000 bearer shares of SIMONA AG. This is equivalent to 0.167 % of the AG's share capital. The shares were acquired on 30 April 1990 at a price of EUR 133.27 each and are held on behalf of the Company's employees. Treasury shares are measured at their original purchase price.

Deferred tax assets

Deferred tax assets recognised in the consolidated financial statements are attributable to the elimination of intercompany profits arising from the sale of goods to Group companies (EUR 563 thousand). They were accounted for on the basis of an average tax rate for the Group of 34.72 %, taking into consideration the cost/benefit aspects. Deferred tax assets in the amount of EUR 38 thousand were also the result of the elimination of intercompany gains arising from the intragroup disposal of non-current assets attributable to the joint venture; these deferred tax assets were capitalised on the basis of a separate tax rate of 37.47 %.

Shareholders' Equity

Please refer to the Statement of Changes in Equity in the consolidated financial statements.

Special item with reserve component

In the separate financial statements, the "Sonderposten mit Rücklageanteil" (special item with reserve component) included provisions of EUR 229 thousand for reinvestment purposes, recognised in accordance with Section 6b of the German Income Tax Act (Einkommensteuergesetz – EStG).

Other provisions

Other provisions mainly relate to provisions for warranties, obligations regarding partial employment for staff approaching retirement, holiday pay, returns and defective products, management and staff bonus payments as well as provisions for trade association fees.

In the consolidated financial statements, provisions in the amount of EUR 400 thousand are attributable to the joint venture enterprise Georg Fischer SIMONA Fluorpolymer Products GmbH, which was included in the consolidated financial statements on a pro-rata basis.

Liabilities

SIMONA Group	**Remaining Term**			**Secured**	**Total**	**2003**
EUR '000	< 1 year	1 – 5 years	> 5 years	by		Total
Bank borrowings	83	0	0	0	83	92
Trade payables	7,497	0	0	0	7,497	7,505
Drafts and notes payable	0	0	0	0	0	3
Payables to enterprises in which the company has a participating interest	38	0	0	0	38	376
Other liabilities	6,594	0	0	0	6,594	7,330
– of which taxation	1,824	0	0	0	1,824	1,850
– of which relating to social security	1,496	0	0	0	1,496	1,368
Liabilities	**14,212**	**0**	**0**	**0**	**14,212**	**15,306**

In the consolidated financial statements, liabilities in the amount of EUR 1,041 thousand are attributable to the joint venture enterprise Georg Fischer SIMONA Fluorpolymer Products GmbH, which was included in the consolidated financial statements on a pro-rata basis.

SIMONA AG EUR '000	Remaining Term < 1 year	 1 – 5 years	 > 5 year	Secured by	Total	2003 Total
Bank borrowings	5,679	0	0	0	5,679	6,533
Payables to enterprises in which the company has a participating interest	3	0	0	0	3	2
Other liabilities	4,084	0	0	0	4,084	3,738
– of which taxation	762	0	0	0	762	746
– of which related to social security	1,300	0	0	0	1,300	1,181
Liabilities	**9,766**	**0**	**0**	**0**	**9,766**	**10,273**

Contingent liabilities

Contingent liabilities have been recognised in connection with three accommodation bills in the amount of EUR 41 thousand, with terms of maturity ending on 13 April 2005.

In addition, the consolidated financial statements include contingent liabilities attributable to retirement benefit obligations (SIMONA S.A., Domont, France) amounting to EUR 137 thousand.

Other financial commitments

EUR '000	SIMONA Group	SIMONA AG
Rent and lease commitments		
Due 2005	1,704	975
Due 2006 – 2009	5,123	3,095
Due after 2009	1,205	713
	8,032	**4,783**
Commitments arising from investment orders	**2,422**	**2,422**
Forward exchange contracts	**2,572**	**2,572**

The commitment relates to the forward sale of GBP 1,050,000, PLN 1,800,000 and CZK 20,000,000. Comparison with closing rates shows unrealised foreign exchange gains of EUR 83 thousand and unrealised foreign exchange losses of EUR 68 thousand.

The forward foreign exchange transactions are in relation to sales obligations denominated in GBP, CHF, PLN and CZK.

Letter of Comfort

On 28 February 2005, SIMONA AG issued a Letter of Comfort for the subsidiary SIMONA UK Limited, Stafford, United Kingdom. In accordance with this Letter of Comfort, the Company is obliged to furnish the subsidiary with sufficient financial resources so that it is in a position to meet its obligations.

Explanatory Notes to Income Statement

Revenue

Revenue was generated as follows:

EUR '000	SIMONA Group	SIMONA AG
Germany	80,988	82,007
Rest of the World	130,688	108,082
	211,676	**190,089**

Other operating income

As regards the consolidated financial statements, other operating income comprises income from the disposal of non-current assets (EUR 302 thousand), the reversal of provisions (EUR 6 thousand), the reversal of specific valuation allowances for doubtful accounts (EUR 105 thousand) and other income not related to the accounting period (EUR 186 thousand).

With regard to the separate financial statements, other operating income comprises income from foreign currency translation gains (EUR 687 thousand), income relating to services performed for the joint venture enterprise Georg Fischer SIMONA Fluorpolymer Products GmbH, Ettenheim (EUR 647 thousand), income from the disposal of non-current assets (EUR 280 thousand), income from incoming payments attributable to receivables previously written off as well as from the reversal of specific valuation allowances for doubtful accounts (EUR 32 thousand) and other income not related to the accounting period (EUR 78 thousand).

Staff costs

Expenses relating to retirement benefits amounted to EUR 2,166 thousand in the consolidated financial statements and EUR 1,995 thousand in the separate financial statements.

Other operating expenses

Expenses relating to prior years not attributable to the accounting period amount to EUR 474 thousand in the consolidated financial statements and EUR 373 thousand in the separate financial statements; they are mainly related to the allocation to specific and general allowances and losses on the disposal of non-current assets.

Other interest and similar income

As regards the separate financial statements, the item "interest and similar income" includes interest from affiliated companies in the amount of EUR 80 thousand (previous year: EUR 75 thousand).

Income taxes

Income taxes are attributable mainly to earnings from ordinary activities in the financial year under review. Tax income attributable to the reduction in corporation tax from prior years was accounted for in the 2003 tax assessment and amounts to EUR 588 thousand.

Income taxes include deferred tax income in the amount of EUR 119 thousand. This includes:

Deferred tax expense (income) ...	EUR '000
... attributable to changes to legislation and the introduction of new types of tax	—
... attributable to unrecognised loss carryforwards, tax credits or deductible temporary differences relating to prior financial years	—
... attributable to the reduction or the increase in the carrying amount of deferred tax assets in the financial year, as well as the total amount of the valuation allowance for deferred tax assets	—
... attributable to changes in accounting policies	—
... attributable to circumstances not accounted for in net profit or loss in the financial year	—
... attributable to extraordinary items in the financial year	—

Cash flows

The following Cash Flow Statement presents the changes in cash and cash equivalents as well as the activities associated with the inflow and outflow of resources:

EUR '000	2004	2003
1. Cash flow from operating activities		
Consolidated net profit for the year	9,352	6,379
Depreciation and amortisation of non-current assets	7,962	9,431
Change in provisions	3,860	2,204
Change in special item with reserve component	0	(168)
Change in deferred tax assets	119	(21)
Other non-cash expenses/income	28	53
Net gain on disposal of non-current assets	(282)	(369)
Change in inventories, trade receivables and other assets	(2,349)	2,752
Changes in trade payables and other liabilities	(1,094)	4,826
	17,596	**25,087**
2. Cash flow from investing activities		
Proceeds from the disposal of property, plant and equipment	532	562
Payments for investments in property, plant and equipment	(7,531)	(12,050)
Intangible assets	(1,720)	(228)
Proceeds from investments as part of short-term financial arrangements	0	(1,339)
Payments for financial assets	(7)	0
	(8,726)	**(13,055)**
3. Cash flow from financing activities		
Payments to shareholders and minority shareholders (dividends)	(4,193)	(3,893)
	(4,193)	**(3,893)**
4. Cash and cash equivalents at the end of the period		
Net change in cash and cash equivalents (subtotal 1–3)	4,677	8,139
Cash and cash equivalents at the beginning of the period	18,120	9,981
	22,797	**18,120**

In 2004, income tax payments amounted to EUR 4,369 thousand, while interest payments totalled EUR 79 thousand.

There were no cash and cash equivalents at the end of the period associated with the joint venture enterprise Georg Fischer SIMONA Fluorpolymer Products GmbH, which was included in the consolidated financial statements on a pro-rata basis.

Other Information

Governing bodies and compensation

Management Board:
- Wolfgang Moyses, MBA, Diplom-Betriebswirt, (Chairman)
- Walter W. Janshen, Diplom-Kaufmann (until 30 September 2004)
- Dirk Möller, Diplom-Ingenieur

Supervisory Board:
- Dr. Wolfgang Bürkle, Kirn, (Chairman), Diplom-Kaufmann
  Other supervisory board mandates: SIMONA S.A., Domont, France
- Hans-Wilhelm Voss, Simmertal, (Deputy Chairman), Merchant,
  Other supervisory board mandates: SIMONA S.A., Domont, France
- Roland Frobel, Langenhagen, Tax Consultant
- Hans-Werner Marx, Kirn, Merchant
- Bernd Meurer, Hennweiler, (Employee Representative), Maintenance Engineer/Fitter
- Karl-Ernst Schaab, Bergen, (Employee Representative), Member of Commercial Staff

All Members of the Management Board are salaried employees of the company.

Total Management Board compensation

Total Management Board compensation for the 2004 financial year amounted to EUR 802 thousand, of which EUR 238 thousand was attributable to variable components.

Total Supervisory Board compensation

Supervisory Board compensation attributable to the consolidated financial statements amounted to EUR 87.0 thousand, while compensation relating to the separate financial statements totalled EUR 56.2 thousand. The breakdown of compensation was as follows:

EUR '000	SIMONA Group	SIMONA AG
Dr. Wolfgang Bürkle	30,4	15,0
Hans-Wilhelm Voss	26,6	11,2
Roland Frobel	7,5	7,5
Hans-Werner Marx	7,5	7,5
Bernd Meurer	7,5	7,5
Karl-Ernst Schaab	7,5	7,5
	87,0	**56,2**

Compensation for former members of the Management Board and the Supervisory Board

Compensation relating to former members of the Management Board amounted to EUR 962 thousand.

Full allocations have been made to pension provisions for former members of the Management Board. At 31 December 2004, these amounted to EUR 9,231 thousand.

Employees

Average number of staff employed in the financial year:

SIMONA Group	2004 Total	2004 GFS*	2003 Total	2003 GFS*
Industrial staff	586	14	577	12
Clerical staff	404	2	392	1
	990	**16**	**969**	**13**
School-leaver trainees (apprentices)	62	1	63	0
	1.052	**17**	**1.032**	**13**

* of whom with Georg Fischer SIMONA Fluorpolymer Products GmbH (pro-rata)

SIMONA AG	2004	2003
Industrial staff	552	535
Clerical staff	293	301
	845	**836**
School-leaver trainees (apprentices)	61	57
	906	**893**

Segment reporting

The companies' manufacturing activities are limited to products made of plastics. Therefore, the requirements regarding reporting by product group in accordance with Section 297 Paragraph 1 Sentence 2 HGB are not applicable. Segment reporting by region is as follows:

EUR '000	Germany		Rest of the world		SIMONA Group	
	2004	2003	2004	2003	2004	2003
Revenue	80.988	72.617	130.688	101.148	211.676	173.765
Share in %	38,0	42,0	62,0	58,0	100,0	100,0
Investments in property, plant and equipment and other intangible assets	7.998	12.129	1.253	149	9.251	12.278
Assets	**122.536**	122.285	31.203	23.484	153.739	145.769

Appropriation of profits

Following approval by the General Meeting of Shareholders, the Management Board intends to appropriate profit as set out below:

	EUR '000
Net profit for the year	9,851
Accumulated profit brought forward	3,412
	13,263
Appropriations to other revenue reserves in accordance with Company Bylaws	4,925
Unappropriated surplus	8,338
Dividend (EUR 7.50 per share, excluding treasury shares)	4,493
Profits carried forward to new account	**3,845**

Share capital amounts to EUR 15,500 thousand and comprises 600,000 bearer shares. Share capital is in the form of no-par shares.

Corporate Governance Code

Declaration pursuant to Section 161 of the Stock Corporation Act (Aktiengesetz – AktG)

In accordance with Section 161 AktG, the Company filed a Declaration of Conformity for 2004 on 24 February 2005. It has been made permanently available to shareholders.

Shareholdings pursuant to Section 21(1) WpHG

On 4 April 2002, the Company disclosed the following information relating to shareholdings in the Company, thus fulfilling its obligations under Section 25(1) WpHG:

Percentage of voting rights in SIMONA AG	percent
Dr. Wolfgang Bürkle, Kirn	24.19
Anita Bürkle, Kirn	6.47
Dirk Möller, Kirn	11.64
Regine Tegtmeyer, Seelze	11.42
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn	12.65
Georg Fischer AG, Schaffhausen (via die Georg Fischer AG & Co OHG, Singen)	15.46

SIMONA AG Consolidated Statement of Changes in Fixed Assets

	Acquisition or conversion costs						Accumulated depreciation and amortisation					Net book value	
EUR '000	01.01.04	Translation differences	Additions	Disposals	Reclassifications	31.12.04	01.01.04	Translation differences	Additions	Disposals	31.12.04	31.12.04	31.12.03
Industrial property rights and similar rights	2,633	0	1,720	162	0	4,191	1,796	0	309	162	1,943	2,248	837
Intangible assets	**2,633**	**0**	**1,720**	**162**	**0**	**4,191**	**1,796**	**0**	**309**	**162**	**1,943**	**2,248**	**837**
Land, leasehold rights and buildings, including buildings on third-party land	46,061	2	588	8	0	46,643	24,841	0	1,289	9	26,121	20,522	21,220
Technical plant and machinery	96,943	4	2,895	4,148	1,521	97,215	80,203	2	3,728	4,073	79,860	17,355	16,740
Other plant, operating and other equipment, furniture and fixtures	64,750	19	3,607	2,514	191	66,053	56,202	6	2,636	2,388	56,456	9,597	8,548
Prepayments and assets under construction	1,808	0	441	50	(1,712)	487	0	0	0	0	0	487	1,808
Property, plant and equipment	**209,562**	**25**	**7,531**	**6,720**	**0**	**210,398**	**161,246**	**8**	**7,653**	**6,470**	**162,437**	**47,961**	**48,316**
Interests in affiliated companies	0	0	7	0	0	7	0	0	0	0	0	7	0
Investments	23	0	0	0	0	23	0	0	0	0	0	23	23
Financial assets	**23**	**0**	**7**	**0**	**0**	**30**	**0**	**0**	**0**	**0**	**0**	**30**	**23**
	212,218	**25**	**9,258**	**6,882**	**0**	**214,619**	**163,042**	**8**	**7,962**	**6,632**	**164,380**	**50,239**	**49,176**

SIMONA AG Consolidated Statement of Changes in Fixed Assets

	Purchase or conversion costs					Accumulated depreciation and amortisation				Net book value	
EUR '000	01.01.04	Additions	Disposals	Reclassi-fications	31.12.04	01.01.04	Additions	Disposals	31.12.04	31.12.04	31.12.03
Industrial property rights and similar rights	2,538	1,426	161	0	3,803	1,710	245	161	1,794	2,009	828
Intangible assets	**2,538**	**1,426**	**161**	**0**	**3,803**	**1,710**	**245**	**161**	**1,794**	**2,009**	**828**
Property, leasehold rights and buildings	44,352	590	9	0	44,933	23,738	1,207	9	24,936	19,997	20,614
Technical plant and machinery	95,374	2,294	4,075	38	93,631	79,950	3,531	4,072	79,409	14,222	15,424
Other plant, operating and office equipment, furniture and fixtures	62,249	3,298	2,378	191	63,360	54,434	2,416	2,287	54,563	8,797	7,815
Prepayments and assets under construction	275	405	0	(229)	451	0	0	0	0	451	275
Property, plant and equipment	**202,250**	**6,587**	**6,462**	**0**	**202,375**	**158,122**	**7,154**	**6,368**	**158,908**	**43,467**	**44,128**
Interests in affiliated companies	4,367	3,567	0	0	7,934	2,232	0	0	2,232	5,702	2,135
Investments	2,023	0	0	0	2,023	0	0	0	0	2,023	2,023
Financial assets	**6,390**	**3,567**	**0**	**0**	**9,957**	**2,232**	**0**	**0**	**2,232**	**7,725**	**4,158**
	211,178	**11,580**	**6,623**	**0**	**216,135**	**162,064**	**7,399**	**6,529**	**162,934**	**53,201**	**49,114**

Consolidated Statement of Changes in Equity

EUR '000	Issued capital	Capital reserves	Revenue reserves: Legal Reserves	Revenue reserves: Reserves for treasury shares	Revenue reserves: Statutory reserves	Revenue reserves: Other revenue reserves	Equity generated: Accumulated Group profit brought forward	Equity generated: Net profit after minority interest	Translation reserves[1]	Minority interest	Total
Balance at 31.12.2003	15,500	15,032	397	133	2,847	52,617	3,283	6,417	33	449	96,708
Dividends paid							(4,193)				(4,193)
Changes in composition of consolidated group							233	674			907
Other changes								62		(15)	47
Currency translation difference									24		24
Appropriations to other revenue reserves						2,960		(2,960)			0
Accumulated Group profit carried forward							(933)				(933)
Consolidated net profit for the year								9,344		8	9,352
Balance at 31.12.2004	**15,500**	**15,032**	**397**	**133**	**2,847**	**55,577**	**2,583**	**9,344**	**57**	**442**	**101,912**

[1] relating to translation differences

Details of shareholdings

Company	Ownership interest %	Equity EUR '000	Results of the last financial year EUR '000
Indirect			
SIMONA S.A., Domont/France	96,6	2.308	(62)
SIMONA S.R.L., Vimodrone/Italy	98,0	825	130
SIMONA U.K. Limited, Stafford/United Kingdom	100,0	(636)	242
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona/Spain	100,0	(359)	(12)
Direct			
SIMONA-PLASTICS CZ, s.r.o., Prag/Czech Republic	100,0	226	108
SIMONA FAR EAST LTD, Hong Kong/China	51,0	708	16
SIMONA POLSKA Sp. z o.o., Breslau/Poland	100,0	309	144
SIMONA Sozialwerk GmbH, Kirn (2003)	50,0	10.794	873
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn (2003)	50,0	2.070	633
SIMONA Beteiligungs GmbH, Kirn	100,0	1.834	0
SIMONA AMERICA Inc., Mountaintop/USA	100,0	2.179	(1.107)
Simona Plast-Technik s.r.o., Litvinov/Czech Republic	100,0	6	0
SIMONA ASIA Limited, Hong Kong/China	100,0	1	0
Georg Fischer SIMONA Fluorpolymer Products GmbH, Ettenheim	50,0	3	446

Auditor’s Report

We have granted the following combined audit opinion pertaining to the separate financial statements, the consolidated financial statements – for which a specific audit report has been compiled – and the management report for the Company and the Group:

»We have audited the financial statements, the notes to which were combined with the notes to the consolidated financial statements, of SIMONA Aktiengesellschaft, Kirn, in conjunction with accounting records, as well as its consolidated financial statements and the management report for the Company and the Group for the financial year covering the period from 1 January to 31 December 2004. The legal representatives of the Company are responsible for preparing these documents in accordance with German commercial law and the supplementary regulations outlined in the Company’s Bylaws. Our responsibility is to express an opinion on the financial statements, in conjunction with the accounting records, as well as the consolidated financial statements and the management report for the Company and the Group based on our audit.

We conducted our audit of the financial and consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB) and in compliance with generally accepted German auditing standards promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit to identify material misstatements which may have a significant influence on the true and fair view presented by the financial statements and consolidated financial statements, in compliance with generally accepted accounting principles, and the management report for the Company and the Group as regards financial position, financial performance and cash flows. The process of defining the audit procedures takes account of knowledge about the business activities and the economic and legal environment of the Company, as well as expectations with regard to possible misstatements. An audit includes assessing, on a test basis, the efficacy of the accounting-related internal control system, as well as examining evidence supporting the amounts and disclosures in the accounting records, financial statements, consolidated financial statements and the management report for the Company and the Group. The audit also includes assessing the financial statements of those enterprises included in the consolidated financial statements, the delimitation of the consolidated group, the accounting and consolidation principles applied and the significant estimates made by the legal representatives, as well as evaluating the overall presentation of the financial and consolidated financial statements and the management report for the Company and the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations. In our opinion, the financial statements and the consolidated financial statements, in compliance with generally accepted accounting principles, give a true and fair view of the state of affairs of the Company and the Group in terms of their financial position, financial performance and cash flows. The management report for the Company and the Group accurately conveys the state of affairs of the Company and the Group and accurately presents the risks associated with the future progression of business.«

Eschborn/Frankfurt am Main, 18 March 2005
Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Fuß	Winderlich
Certified Public Accountant	Certified Public Accountant

Report of the Supervisory Board

Over the course of the 2004 financial year, the Supervisory Board informed itself thoroughly about the state of affairs and the performance of the Company as part of joint quarterly meetings with the Management Board.

The Supervisory Board was furnished with detailed information on all fundamental issues pertaining to corporate planning, with a particular emphasis on sales, financial, investment and human resources planning, in addition to risk management, and these aspects were discussed with the Management Board accordingly. Insofar as the consent of the Supervisory Board was required for decisions to be made by the Management Board, the Supervisory Board assessed the proposals and granted its authorisation in writing.

The Supervisory Board was directly involved in all decision-making processes deemed to be of fundamental importance to the Company. Both the Chairman of the Supervisory Board and his Deputy received a copy of the minutes of all Management Board meetings. Both exchanged ideas on a regular basis, thereby ensuring that a consistent flow of information and an exchange of opinions between the Supervisory Board and the Management Board was maintained at all times.

The Supervisory Board also deliberated on the implementation of the German Corporate Governance Code within the Company and, where applicable, initiated measures aimed at fulfilling the new requirements, working in close cooperation with the Management Board. The Supervisory Board does not concur with all aspects of the Corporate Governance Code. A summary of deviations was made available to the shareholders via the Company's website as part of the updated Declaration of Conformity, dated 19 March 2004 and issued pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz – AktG). Furthermore, the relevant points were explained as part of the Corporate Governance Report.

The Audit Committee dealt with aspects relating to the financial and consolidated financial statements. It discussed the interim report for the first six months of the financial year, issued an audit mandate to the auditor and defined the main area of emphasis of the audit, as well as determining the level of remuneration. The auditors furnished the Supervisory Board with detailed information pertaining to their audit activities.

The financial statements of SIMONA AG and the Group for the financial year from 1 January 2004 to 31 December 2004, prepared by the Management Board in accordance with statutory provisions outlined in the German Commercial Code (Handelsgesetzbuch – HGB), as well as the combined management report for the AG and the Group were audited by Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Frankfurt, in accordance with the resolution passed by the General Meeting of Shareholders on 25 June 2004 and the subsequent audit mandate issued by the Audit Committee. The auditing company confirmed that the financial and consolidated financial statements as well as the management report were in conformity with the accounting records and that they complied with the statutory provisions. Based on these findings, an unqualified audit opinion was granted.

No objections were raised by the Supervisory Board following its examination of the separate financial statements, the consolidated financial statements and the management report for the AG and the Group. The Supervisory Board concurred with the unqualified audit opinion issued by the auditing company and approved the separate financial statements and the consolidated financial statements in its meeting on 21 April 2005. In accordance with Section 172 sentence 1 AktG, they have thus been adopted.

The Supervisory Board agrees with the proposal by the Management Board for the appropriation of the Bilanzgewinn (unappropriated surplus).

Kirn, 21 April 2005

The Supervisory Board
Dr. Wolfgang Bürkle, Chairman

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