

SIMONA



2007 Annual Report



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Key Financials

SIMONA Group*		2007	2006	2005
Revenue	EUR m	299.9	262.8	230.6
Year-on-year change	%	14.1	14.0	8.4
of which abroad	EUR m	185.0	165.3	143.8
of which abroad	%	61.7	62.9	62.4
Staff costs	EUR m	58.1	52.1	48.8
Operating profit	EUR m	19.7	14.9	12.4
Profit before income taxes	EUR m	19.8	15.1	13.0
Net profit for the year	EUR m	14.1	16.1	7.8
Cash flow from operating activities	EUR m	17.1	16.6	17.1
EBIT	EUR m	19.7	14.9	12.5
EBIT	%	6.6	5.7	5.4
EBITDA	EUR m	32.5	28.0	24.9
EBITDA	%	10.8	10.7	10.8
Total assets	EUR m	233.8	226.4	210.5
Equity	EUR m	148.3	139.8	128.6
Non-current assets	EUR m	88.3	90.6	85.5
Investments in property, plant and equipment	EUR m	13.5	18.1	7.2
Average number of employees		1,224	1,101	1,043

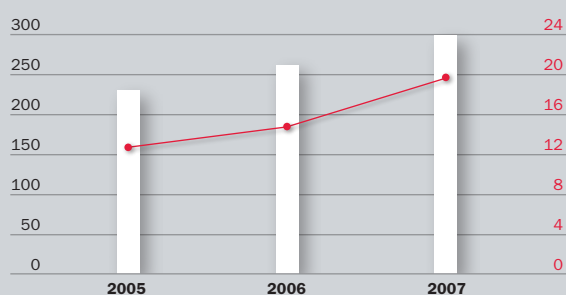
* Based on IFRS

Key capital market data		2007	2006	2005
Earnings per share*	EUR	23.53	26.96	13.03
Dividend	EUR	8.50	7.50	7.50
Bonus 150th anniversary of SIMONA	EUR		1.50	
Dividend yield		2.5	3.0	3.1
P/E ratio*		14.3	11.1	18.8
Market capitalisation-over-equity ratio*		1.36	1.29	1.14
at share price 31.12.	EUR	336.10	300.00	245.00

* Each calculated on consolidated basis

Revenue and EBIT SIMONA Group in EURm

■ Total revenue
● EBIT



SIMONA AG*		2007	2006	2005
Revenue	EUR m	265.7	227.7	201.8
Year-on-year change	%	16.7	12.9	6.1
of which abroad	EUR m	155.9	132.6	117.6
of which abroad	%	58.7	58.2	58.3
Staff costs	EUR m	47.6	44.7	43.0
Operating profit	EUR m	21.2	13.5	14.9
Profit before income taxes	EUR m	21.1	14.4	18.3
Net profit for the year	EUR m	13.7	14.9	11.0
Cash flow	EUR m	25.5	25.0	17.7
EBIT	EUR m	20.2	13.4	17.1
EBIT	%	7.6	5.9	8.5
EBITDA	EUR m	32.7	23.0	25.4
EBITDA	%	12.3	10.1	12.6
Total assets	EUR m	179.2	171.9	158.8
Equity	EUR m	128.0	119.7	109.2
Non-current assets	EUR m	60.9	58.9	54.3
Investments in property, plant and equipment	EUR m	8.7	10.0	6.2
Average number of employees		1,022	948	912

* Based on HGB

With production output exceeding 100,000 tonnes, the SIMONA Group is recognised as one of the world's leading manufacturers of semi-finished thermoplastics and polymer piping systems. Among the key markets for SIMONA products are chemical equipment engineering, exhibition design and structural engineering, as well as mechanical and pipeline engineering.

In 2007, SIMONA celebrated its 150th anniversary. We had set ourselves a number of ambitious targets for the financial year. And we achieved them.

In 2007, SIMONA

- generated record sales revenue
- increased EBIT by a substantial margin
- successfully pursued its strategy of international expansion
- initiated projects for the construction of new production facilities in Asia and Europe

In 2008, SIMONA aims to

- increase its sales volume by 5 per cent
- generate Group sales revenue of €315 million
- achieve an EBIT margin of 7 per cent
- unlock growth opportunities for high-end plastics in the mobility, environmental technology, biomedical engineering, utilities and structural engineering sectors

By 2012, SIMONA wants to

- lift Group sales revenue to €500 million
- maintain a consistent EBIT margin of 7-10 per cent
- establish itself as a global company with global vision
- generate the majority of its growth outside Europe

Letter to Shareholders

Dear Shareholders,

An annual report is designed to provide an in-depth account of a company's financial year. This is essential for any listed company, and all the more so if you happen to have celebrated your 150th anniversary, achieved record sales and posted solid bottom-line results. But we believe that an annual report should in fact go far beyond the mere disclosure of financial data. It should also outline potential areas of growth for the company and discuss the strategies chosen to unlock these opportunities. By embracing this more extensive approach, a company can present details of the direction it wishes to take and provide existing and potential shareholders with the information they require. At the same time, an annual report can provide a source of inspiration. And nothing is as powerful as the inspiration of people working towards a clearly defined goal. This is something we have come to appreciate during SIMONA's rich history spanning 150 years.

Let us begin with a review of the last twelve months. 2007 proved to be a successful year. We managed to lift Group revenue to almost €300 million by generating percentage growth well within the double-digit range. What is more, all product areas contributed to this forward momentum, and our strategy of international expansion is bearing fruit. The piping systems unit, in particular, generated significant growth abroad. We have also made good progress in fully integrating into our Group the plastics division acquired from Deutsche Holzveredelung Alfons & Ewald Schmeing oHG. Despite a surge in the cost of raw materials, we recorded a significant improvement in earnings. Our EBIT margin at Group level rose by almost one percentage point to 6.6 per cent. The parent company managed to guide its EBIT margin into the targeted range of 7–10 per cent in 2007. But we want to do even better than this in the future – which takes us to our outlook and the key theme of this year's report.

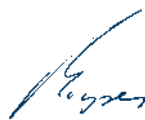
What is quality of life? Of course, there are many answers to this highly personal question. But almost everyone will agree that mobility, health and the supply of vital goods are

essential prerequisites for a fulfilled life. Satisfying these needs in a resource-friendly manner is one of the greatest challenges facing today's society. And it is precisely in view of this fact that mobility, environmental technology, utility services and health have opened up such enormous growth opportunities for plastics – worldwide.

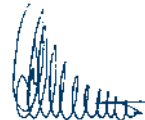
We aim to reap the rewards of market expansion in this area, and with this in mind we have focused our product development strategy on these growth segments. Of course, such tasks are easily formulated, but actually implementing them requires a Herculean effort from a company with medium-sized structures and finite resources. We have to position ourselves efficiently according to various industries and fields of application, tailor more than 35,000 products to the requirements of the growth markets we have identified, maintain our ability to supply customers around the globe and continue to inspire the people who are working towards our company's goals. These are ambitious tasks. We are primed for action.

Our product portfolio, which is one of the most extensive worldwide, is being expanded as we speak. Our logistics concept has been restructured. Our new production sites in Europe and Asia are scheduled to commence operations by the end of 2008. We shall continue to chart new territory, drawing on well-established values that have accompanied us for the last 150 years: energy, dynamism and passion.

We hope you enjoy reading our 2007 annual report.



Wolfgang Moyses, CEO
Chairman of the
Management Board



Dirk Möller, COO
Technology and Logistics



Jochen Feldmann, CFO
Finance and Administration



Detlef Becker, CSO
Marketing and Sales
Since April 1, 2008



*Management Board from left to right:
Wolfgang Moyses, Detlef Becker, Dirk Möller, Jochen Feldmann*




Shaping the future with SIMONA



The potential for growth within the plastics sector is enormous. Indeed, there are still many fields of application that remain untapped. SIMONA develops state-of-the-art plastic products, ...

- ... that replace heavier materials – and thus contribute to mobility in a more environmentally friendly manner.
- ... that ensure up to 100 years of reliable operation – and thus help to meet the challenge of providing clean drinking water.
- ... that are resistant to aggressive chemicals – and thus make environmental technology more reliable and cost-effective.
- ... that meet the highest possible standards in the area of biomedical and structural engineering – and thus help to improve the quality of life.



SIMONA PE pipes and fittings as a protective jacket for the steel cables of Rügen Bridge. Germany's largest bridge connects the island of Rügen with the mainland and eliminates the bottleneck created by ever-increasing traffic congestion during the holiday season. SIMONA has also established an innovative product portfolio centred around the drainage of traffic routes – approved by Germany's Federal Railway Authority.

Focusing on mobility

Mobility is not just an expression of personal freedom, it also provides the basis for sustained growth at a global level. It is not by chance that the automobile industry is among the sectors with the highest expenditure on research and development. The key focus: to reduce the overall weight of motor vehicles. The mission: to ensure individual mobility well into the future.


This approach is essential not only in terms of ecology but also with regard to economic development. Plastics are even capable of outperforming aluminium when it comes to reducing the weight of components, which explains the more widespread use of technopolymers in recent years.

SIMONA develops tailor-made solutions for the automotive industry, e.g. multilayer sheets with superior barrier properties. Applications include lightweight fuel tanks that meet the most exacting emission standards.



- The automobile industry invests €68 billion in research and development worldwide
- The volume of plastics used in the aerospace and rail sector is predicted to rise significantly, particularly given the growing challenge of combining aerodynamics with safety and lightweight design
- The materials of the future will be judged on the basis of their ability to meet application requirements in terms of emission levels, resource protection, recycling and processing
- The automobile markets with the greatest potential for growth are China and India





Repair of a potable water tank operated by the municipality of Bad Sobernheim. The problem of hydrolytic corrosion was addressed permanently by lining the tank with SIMONA PE sheets (light blue 340).

Focusing on water management

The treatment of sewage and the provision of clean drinking water are among the most important tasks facing the global community in future years. In order to meet the enormous investment challenges within this area, operators will require piping systems that are capable of delivering high-end performance over a period of many years.

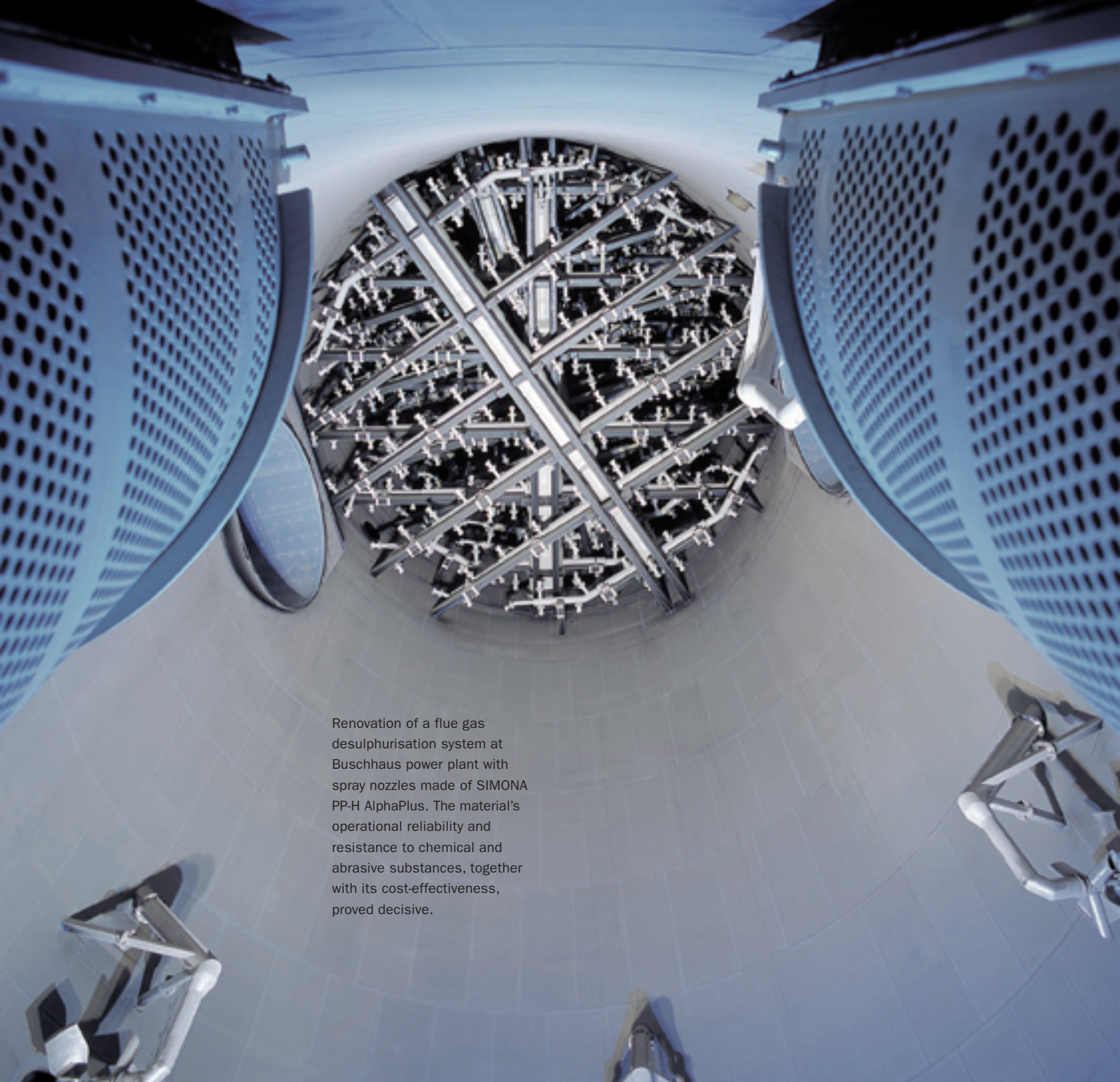
At the same time, fast, simple and cost-effective installation is essential. Plastic piping systems provide the best of both worlds and are increasingly being used in projects around the globe. But in Germany, too, demand for piping systems looks set to grow as more and more repair and rehabilitation plans are put into action.

As one of the few suppliers of complete systems, SIMONA has been able to benefit from buoyant global demand for cutting-edge solutions within the water and sewage utilities industry. We supply piping systems in dimensions up to 1,200 mm for installation and rehabilitation purposes, as well as planning large-scale projects at an international level.



- Approx. 1.1 billion people around the globe – more than one in five – have no access to clean water
- More than 2.4 billion people are not connected to basic sanitation systems
- According to the German Association for Water Management, Sewage and Refuse, around 20 per cent of the public sewerage network is in need of immediate or medium-term repair
- The investment requirement in Germany alone currently stands at €55 billion





Renovation of a flue gas desulphurisation system at Buschhaus power plant with spray nozzles made of SIMONA PP-H AlphaPlus. The material's operational reliability and resistance to chemical and abrasive substances, together with its cost-effectiveness, proved decisive.

Photograph: Steuler Industrieller Korrosionsschutz GmbH

Focusing on environmental engineering

The markets of the 21st century will not only have to square up to economic challenges but also address growing ecological concerns. The focus is on reconciling the need for technical progress with a lifestyle that embraces environmental issues. Against this backdrop, technologies centred around the protection of the environment are likely to produce significant growth over the coming years.

Within this context, solutions aimed at keeping our water, air and soil clean are of particular interest, as are systems designed for air and wastewater purification. Owing to their durability, chemical resistance and excellent environmental record, plastics can make a significant contribution.



SIMONA produces PE pipes with static-dissipating properties that are used within the area of environmental engineering for the purpose of capturing and redirecting methane gas. Other products include plastic sheets used within the field of wastewater engineering and electroplating. High-performance products offering exceptional chemical resistance are also deployed in electricity generators, coal-fired power stations and waste incineration plants.

- The environment industry employs two million people in Europe and generates annual revenue of €183 billion
- By 2030, Germany's industrial sector is expected to increase its revenue from environmental technologies fourfold to 16 per cent of total sales
- According to a study conducted by Roland Berger, environmental engineering will replace mechanical and automotive engineering as the leading industrial sector by as early as 2020
- The opportunities for growth at a global level, particularly in Asia, are expected to be even more extensive





Applying the twin-sheet method, Ernst Hombach GmbH & Co. KG uses SIMONA PETG sheets to thermoform the outer casings of MRI scanners produced by Siemens.

Photograph provided by MAGNETOM Avanto and Espree with kind approval of Siemens AG

Focusing on quality of life

Society's increasing focus on quality of life has seen the emergence of biomedical engineering as one of the most promising markets of the future. At the same time, spiralling costs within the health care sector have heightened the need for new processes and technologies. Combining the benefits of simple, high-precision processing with outstanding biocompatibility, advanced plastics are predestined for applications within the medical field.

Quality of life also extends to other areas, such as home and living. Low energy consumption, for instance, has become a key aspect for many homeowners. Thus, the demand for state-of-the-art plastics within the field of structural engineering has grown significantly in recent years. Owing to their good insulating properties and recyclability, plastics can make a major contribution to climate protection.

SIMONA supplies pipes for filters used in mobile dialysis machines, as well as sheets with antibacterial properties and products deployed in orthopaedic engineering. Best-in-class quality and high precision are essential for applications within this field. In addition, we produce ceiling, wall and door panels tailored to the requirements of the structural engineering industry – excellent insulation properties guaranteed.

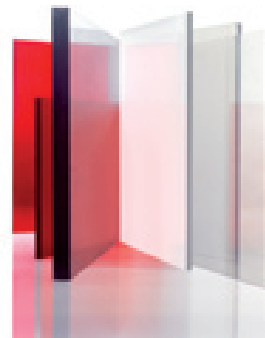


Biomedical engineering

- The global market volume for biomedical engineering is around €260 billion per year
- Plastics already account for half of all materials used in biomedical engineering

Structural engineering

- The energy consumed during the production of plastics deployed in the area of thermal insulation is offset by the savings generated after just one year in use
- Over a period of 15 years plastics used in the construction sector have reduced Germany's annual primary energy requirement by more than 20 per cent



Events and projects in 2007



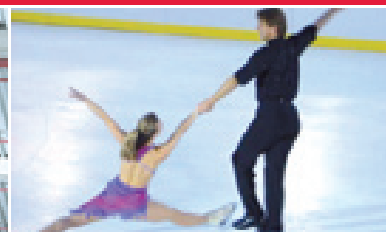
New facilities in China and the Czech Republic

A well-judged approach to international expansion. 2007 saw the start of construction work on two new foreign manufacturing facilities: one in Jiangmen, in the south of China, and the other in Litvinov, at the foot of the Ore Mountain range. The rationale behind these projects is to improve SIMONA's supply structures within the Asian and Eastern European markets.



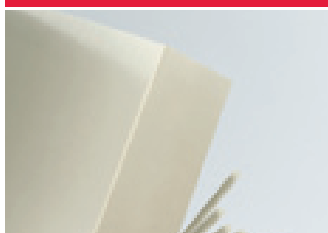
Expansion of injection-moulding operations

In response to continually high demand for fittings, we expanded production capacity within the area of injection moulding. A new building with a floor space of 1,600 m² was added to the Ringsheim plant, providing us with greater flexibility in terms of machinery and equipment.



Largest artificial ice rink in Europe

SIMONA supplied plastic sheets for a 1,100 m² ice rink in Pilsen, Czech Republic. The UV-resistant sheets had to meet very exacting standards both in terms of fabrication and material properties. SIMONA took up the challenge and developed a formula that has even proved good enough for the world of professional ice skating.



Product innovation PP-DWU AlphaPlus

In time for the world's largest plastics trade fair, "K", SIMONA unveiled its new PP-DWU AlphaPlus product line. Thus, we can now offer a complete product system that encompasses pipes, fittings and sheets made from the same PP-H material. The newly developed PP-DWU AlphaPlus material offers a higher degree of notched impact strength, together with improved rigidity and exceptional welding properties.



EBA approval for SIMODRAIN®

We are the only company in Germany to have been granted approval by the German Federal Railway Authority (EBA) for our SIMODRAIN® drainage system made of polyethylene. We have thus become the leading system supplier of thermoplastic drainage systems used within the area of rail engineering.



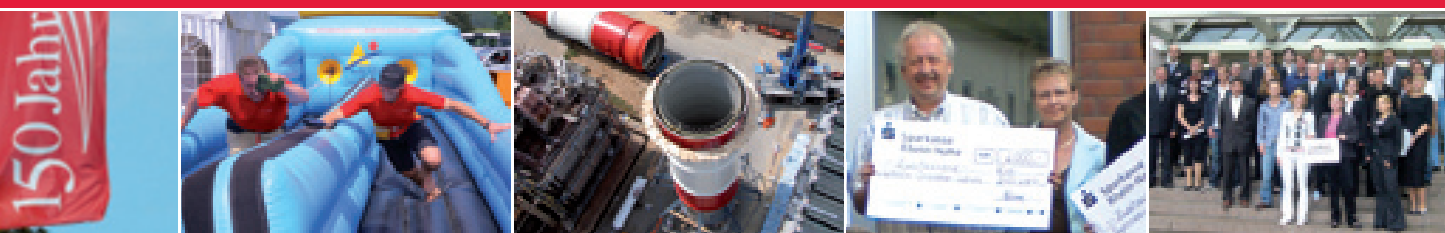
SIMONA plays host to business partners

Bringing customers and partners up to speed with our latest products at our purpose-built training centre is an essential part of our service concept. Among the many guests welcomed to SIMONA in 2007 were the staff of Gebrüder Dolle GmbH, one of our trading partners in northern Germany, who attended a training seminar and visited our plant.



SIMONA at the world's largest trade fair for plastics

Our 150th anniversary formed a backdrop to our company presentations at K 2007 in Düsseldorf. The trade fair attracted more than 3,100 exhibitors from 59 countries and in excess of 242,000 visitors. A new record! The SIMONA exhibition stand became a magnet for the international business community. Enquiries from abroad increased significantly.



150 years of SIMONA – anniversary celebrations

Our Open Day attracted thousands of visitors to Kirn and the surrounding area. In the evening SWR3 presenters Zeus and Wirbitzky entertained a crowd of more than 700 SIMONA employees. This was the highlight of a string of events organised in honour of SIMONA's illustrious history.

Lining of an 88-metre chimney stack

SIMONA supplied four composite pipes made of SIMONA® E-CTFE-GK/GFK to be installed in the steel chimney of a refinery operated by OMV AG in Schwechat (Austria). Plastics Germany GmbH and Ooms-Iltner-Hof GmbH were awarded the contract to line the 88-metre chimney, which has an outer diameter of 5.5 metres.

€ 40,000 for education

To commemorate the company's 150th anniversary, SIMONA donated € 40,000 to schools and kindergartens in Kirn. These funds will be used for the education of local children and young adults. The donation is to be seen within the context of our social commitment to the community of Kirn, the location of our company headquarters.

Awards for the best

Our programme of HR development also extends to the training of young people. The best-in-class grades achieved by our apprentices are a testament to the success of our vocational training scheme. In February 2007 we were presented with a Chamber of Commerce and Industry award for our exemplary staff development programme.



New corporate design. New website

Our anniversary year provided the perfect opportunity to update SIMONA's corporate design. We changed our corporate colour to a vibrant red and introduced a more emotive theme to our website. The rationale behind this realignment is to capture the essence of SIMONA: energy, commitment and passion.

SIMONA pipes for "Black Mamba"

The latest breathtaking ride in Phantasialand's portfolio of attractions takes visitors on a high-speed adventure through tight ravines and roaring waterfalls, at times plunging 13 metres to the ground. A SIMONA piping system made of PE 80 ensures that the water keeps flowing. The piping system had to comply with a range of exacting standards with regard to flexibility, weight and welding properties so that our project partner, Kunststoff IndustrieMontagegesellschaft mbH, Troisdorf, could deliver a top performance at one of the world's most spectacular construction sites.



Stock Performance and Capital Markets

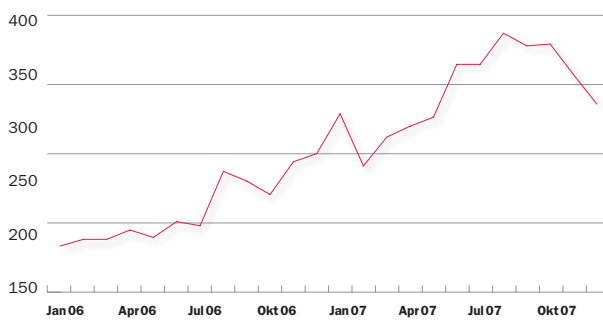
Capital markets in 2007

The upward trend witnessed throughout the stock markets from 2003 onwards was still very much in evidence in 2007. The DAX closed the year at 8,067 points, up 22 per cent on the figure recorded on January 2, 2007. After a first quarter of mixed fortunes, the markets displayed a more dynamic performance in the ensuing months. In July the DAX reached an all-time high by moving past the threshold of 8,100 points. During this period market sentiment was supported by a robust economy, solid company performances and significant order intake within the business sector as a whole. Indeed, against this backdrop, the rising price of crude oil and the increase in interest rates announced by some central banks had very little impact on the buoyant mood of international stock markets. From August onwards, however, the headlines were dominated by the US subprime mortgage crisis. Supporting measures implemented by the central banks, interest rate cuts in the US and the as yet robust economy provided temporary relief. However, it gradually became apparent that the true impact of the financial crisis had been underestimated. At the beginning of 2008, recessionary fears triggered by the rapidly spreading malaise led to panic sales within some segments of the market. On January 21, the DAX plunged by more than 7 per cent – the highest daily loss since the terrorist attacks of September 11, 2001. At the end of March 2008, the index stood at 6,500 points, approx. 100 points down on the figure recorded at the beginning of 2007.

Performance of SIMONA shares

Having risen by more than 22 per cent over the course of 2006, SIMONA's share price proceeded at a more subdued pace during the first quarter of 2007, thus mirroring the general trend of the DAX. Our stock subsequently gained more momentum from May 2007 onwards, which was attributable also to the company's more extensive Investor Relations activities and the announcement of

Share performance SIMONA AG*



* Closing market prices at end of month

solid financial results. On August 9, our share price reached its annual high of 415. This corresponds to an increase of 38.3 per cent compared with the opening price of € 300 on January 2, 2007. Despite our solid performance and favourable outlook, our stock was unable to circumvent global developments on the financial markets. At the end of the year, our share price stood at € 336.1, which was still 12.8 per cent higher than at the beginning of the year. Following the significant slump witnessed at the beginning of 2008, SIMONA's share price at the end of March 2008 was comparable to that posted at the beginning of 2007.

Higher dividend

SIMONA will pay a dividend of € 8.50 per share for the 2007 financial year. Compared with 2006, this represents an increase in our basic dividend by € 1 per share. SIMONA is committed to pursuing a dividend policy based on sustainability. Over the last ten years, we have ensured a steady rise in dividend payments to our shareholders.

SIMONA stock

WKN	723940
ISIN	DE 0007239402
Type of security	Domestic stock
Par value	No-par-value shares
Share capital	€ 15.5 million
Exchange	Frankfurt am Main, General Standard Berlin

Report by the Supervisory Board of SIMONA AG



Hans-Wilhelm Voss
Chairman of the Supervisory Board

SIMONA succeeded in propelling its sales volumes and revenues to a record level in 2007. In parallel, earnings performance improved significantly in the year under review, despite the disproportionately high increase in the cost of raw materials, energy and transportation and the impact that this had on margins. Targeted measures aimed at raising efficiency levels and streamlining cost structures – proposed by the Management Board and supported by the Supervisory Board – were successful in partially offsetting elevated raw material, energy and transport costs. They also contributed to a solid bottom-line result. The acquisition of the plastics division of Deutsche Holzveredelung Alfons & Ewald Schmeing oHG proved strategically incisive. By extending the product range, SIMONA has gained access to new markets, captured additional market share and positioned the company as a premium supplier with a comprehensive portfolio. The Supervisory Board fully supports the approach of international expansion pursued by the Management Board. In the period under review steps were taken for the establishment of two new production sites, one in China and the other in the Czech Republic. In addition SIMONA's plant in North America was relocated to a site with better production facilities.

The Supervisory Board and Management Board were again engaged in close dialogue over the course of 2007. This provided a solid foundation for the Supervisory Board to perform its duties in an efficient manner. Our report outlines the working relationship between the Management Board and the Supervisory Board, the key

issues discussed at Supervisory Board and individual committee meetings, the application of corporate governance principles as well as the audit of the annual financial statements and consolidated financial statements.

Cooperation with the Management Board

Over the course of the 2007 financial year, the Supervisory Board discharged its duties under statutory provisions and the company's articles of association, advised the Management Board and senior staff on a regular basis and evaluated and monitored management's activities. In particular, the Supervisory Board conducted an assessment of the company's risk management and evaluated its commitment to comply with the regulations established by legislators, shareholders and shareholder bodies governing the avoidance of cases of liability, lawsuits for damages or situations that may adversely affect the image of SIMONA (compliance). Having conducted its examination, the Supervisory Board concluded that the system implemented meets the applicable requirements to the fullest extent. The Management Board and Supervisory Board engaged in dialogue concerning the strategic direction of the company and regularly discussed the status of strategy implementation. The Supervisory Board was directly involved in all decision-making processes of fundamental importance to the company.

The Management Board informed the Supervisory Board as part of regular written and verbal reports, furnished in a timely and comprehensive manner. The reports focused in particular on issues relating to corporate planning, the course of business and the position of SIMONA AG and its subsidiaries, including the risk situation, risk management, compliance and transactions of significant importance to the company. At the same time, the Management Board outlined any deviations between specified targets and the actual course of business, elucidated them in full and explained any countermeasures taken to rectify the situation.

The content and scope of reports furnished by the Management Board met the requirements set out by the Supervisory Board. In addition to the above-mentioned reports, the Supervisory Board asked the Management Board to provide supplementary information relating to certain issues. In particular, the Management Board was available at Supervisory Board meetings for the purpose of discussing specific points and answering any questions put to it by the Supervisory Board. Transactions requiring the Supervisory Board's consent were dealt with and examined thoroughly in cooperation with the Management Board, focusing particularly on the benefits and effects of these transactions. The Supervisory Board agreed to all transactions where its consent was required.

The Chairman of the Supervisory Board was also kept fully informed in between meetings convened by the Supervisory Board and its committees. For example, the CEO and the Chairman of the Supervisory Board met regularly to discuss SIMONA's strategy, current progress in business and risk management, as well as other key topics and decisions that arose. Additionally, the Chairman of the Supervisory Board conducted one-to-one meetings with the other members of the Management Board for the purpose of discussing specific issues relating to their departments. The CEO informed the Chairman of the Supervisory Board without delay of all important events that were significant in the assessment of SIMONA's state of affairs and progress or for the management of the company.

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 departures from the code was made available to the shareholders via the Company's website as part of the updated Declaration of Conformity, dated March 12, 2008, 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.

Meetings held by the Supervisory Board

The Supervisory Board convened four scheduled meetings over the course of the 2007 financial year. Its resolutions were passed during these meetings. The key topics discussed at the respective meetings were as follows:

In the meeting of February 15, 2007, the Supervisory Board discussed the concluding report prepared by the Management Board for the 2006 financial year as well as the strategy and investment plan for the 2007 financial year. In addition, the Supervisory Board focused on the situation in the United States and Eastern Europe and informed itself of the status of planning for the new facility in Jiangmen, China.

In the meeting of April 26, 2007, the Supervisory Board discussed the consolidated financial statements, the annual financial statements as well as the Group management report and the management report of SIMONA AG for the 2006 financial year, the proposal by the Management Board for the appropriation of distributable profit generated in the 2006 financial year and the result of the year-end audit conducted by Ernst & Young AG, Wirtschaftsprüfungsgesellschaft. These documents and the audit reports prepared by the auditor had been sent to all Supervisory Board members in good time prior to the meeting. The meeting was attended by the auditor, who reported in detail on the results of the audit. The results of the audit were discussed with the Supervisory Board, and questions relating to the audit were answered in full. The Supervisory Board was thus able to satisfy itself that the audit had been conducted in a proper manner. At the same meeting, the Supervisory Board approved the results of the audit. Having concluded its examina-

tion in full, the Supervisory Board raised no objections to the annual financial statements and consolidated financial statements or the management report and Group management report for the 2006 financial year; the accounts were thus approved by the Supervisory Board. It assessed and endorsed the Management Board's proposal for the appropriation of net retained earnings (i.e. unappropriated surplus).

At its meeting on April 26, 2007, the Supervisory Board also discussed the agenda for the General Meeting of Shareholders in June, including the requisite proposals to be submitted, and voted on the proposal for the appointment of the auditor, to be put forward to the General Meeting. Additionally, the Supervisory Board examined the report on business performance in the first quarter of 2007, as well as capacity scheduling and reports concerning the subsidiaries.

The main focus of the meeting convened on August 16, 2007, was on the course of business in the first six months of the financial year and the outlook for the second half of 2007. In addition, the Supervisory Board discussed the status report on business development in the Far East and progress made with regard to the company's future plans for business in China. At this meeting the Management Board also informed the Supervisory Board about the likelihood of an unfavourable course of business in the United States.

The topics discussed at the Supervisory Board meeting of November 15, 2007, included business performance during the third quarter as well as the prospects for the year as a whole. Additionally, the Management Board outlined the cost structures at the production plant for finished parts in Würdinghausen as well as future developments within this area. Other items on the agenda were business performance in the United States as well as the presentation of business plans for the new facilities in China and the Czech Republic. Furthermore, the Supervisory Board enquired as to the status of the com-

pany-wide introduction of SAP as well as the reliability of the software.

The work of the Supervisory Board committees

The Supervisory Board was made up of six members in 2007, unchanged from the previous year (refer to page 64).

The Supervisory Board is assisted in its activities by the Audit Committee and the Personnel Committee. Both committees regularly provide the Supervisory Board with extensive information relating to their activities. The duties and composition of the committees remained unchanged compared with 2006.

The Audit Committee is responsible for issues pertaining to financial reporting and annual auditing as well as risk management and acquisitions. It comprises three members and is chaired by Hans-Wilhelm Voss. The Personnel Committee, also comprising three members and chaired by Hans-Wilhelm Voss, carries out the preparatory work necessary for the personnel decisions made by the Supervisory Board, particularly with regard to compensation and the conclusion of, amendments to and termination of Management Board members' employment contracts.

The Audit Committee held ten meetings and one conference call during the period under review. In particular, it discussed the annual financial statements and consolidated financial statements as well as the management report and Group management report for the 2007 financial year, the Management Board's proposal for the appropriation of net retained earnings and progress made within the area of risk management, in addition to examining the internal control system. It discussed the results of the 2006 financial year as well as the outcome of the annual audit for 2006 and the auditor's review of the quarterly and half-yearly results, as well as performing preparatory duties in connection with the Supervisory Board's proposal for the appointment of an auditor for 2007, to be put forward to the Annual General Meeting

of Shareholders. Furthermore, it decided on the focal points of the audit. In addition, it discussed the auditor's fee and decided on how the amount should be allocated to the respective entities being audited.

The Personnel Committee convened on four occasions over the course of the reporting period. The main focus of these meetings was on determining the salaries of Management Board members and appointing a new member of the Management Board for the area of Marketing and Sales in response to the expansion of business and the increasingly international structure of the Group. Within this context, the Committee discussed and adopted the new allocation of duties within the extended board, as prepared and presented by the Management Board. In addition, the Personnel Committee and the Management Board discussed the variable component of Management Board compensation and adopted a new model based on the performance of the Group as a whole. The Personnel Committee informed the Supervisory Board about the new compensation system for the Management Board.

The committees furnished the Supervisory Board with reports on a regular basis, thus contributing to an effective and well-informed collaboration between the Supervisory Board and the committees.

Annual financial and consolidated financial statements

The accounts of SIMONA AG for the 2007 financial year were audited by Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Frankfurt, appointed as auditor by the General Meeting of Shareholders on June 29, 2007. Before proposing Ernst & Young AG as auditor to the General Meeting of Shareholders, the Chairman of the Supervisory Board had obtained confirmation from Ernst & Young AG that there were no circumstances which might prejudice its independence as an auditor.

Ernst & Young AG audited the financial statements and the consolidated financial statements for the year as well as the management report and the Group manage-

ment report in conjunction with the accounting records and issued an unqualified audit opinion. The financial statements mentioned above, the audit reports prepared by Ernst & Young AG and the Management Board's proposal for the appropriation of net retained earnings were sent to all Audit Committee and Supervisory Board members in good time.

The auditor attended the meeting of the Audit Committee on April 15, 2008, and provided an in-depth report on the outcome of the audit. The results of the audit were discussed with the Supervisory Board, and questions relating thereto were answered by the auditor. The Supervisory Board was thus able to satisfy itself that Ernst & Young AG had conducted the audit in the proper manner. At this meeting, the Supervisory Board concurred with the results of the audit, as no objections were to be raised upon conclusion of its own examination, and approved the annual financial statements and consolidated financial statements as well as the management report and the Group management report of SIMONA AG. Thus, the annual financial statements were formally adopted. The Supervisory Board assessed and endorsed the Management Board's proposal for the appropriation of net retained earnings.

The Supervisory Board would like to thank the members of the Management Board and employees of the company for their committed and successful work. Special thanks also go to our customers and partners, without whom the company's achievements in its 150th anniversary year would not have been possible.

Kirn, April 15, 2008



The Supervisory Board
Hans-Wilhelm Voss, Chairman

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 June 14, 2007. SIMONA AG has met the majority of requirements specified within the Code. The Supervisory Board and the Management Board responded 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.

Departures from the German Corporate Governance Code

There are several Company-specific characteristics which preclude SIMONA AG from adopting the Code in its entirety.

Convening of the General Meeting

- “The company shall send notification of the convening of the General Meeting together with the convention documents to all domestic and foreign financial services providers, shareholders and shareholders’ associations by electronic means if the approval requirements are fulfilled.”

Under Section 30 b (1) No. 1 of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG), the convening of a General Meeting of Shareholders as well as the convention documents must be published in the electronic Federal Gazette. Disclosure in the electronic Federal Gazette cannot be substituted with publication in other media or transmission of the convention documents in a different format. An additional dispatch to all recipients by electronic means would not be feasible for SIMONA AG, even if the necessary approval requirements were to be met, as the names and e-mail addresses of share-

holders are not known in all cases. Therefore, SIMONA AG is of the opinion that convening the General Meeting of Shareholders by electronic means, in addition to the method already implemented, is not practicable. In view of this, the Company has decided not to implement procedures relating to the request for approval to electronic notifications.

D&O liability insurance

- “If the company takes out a D&O (directors and officers’ liability insurance) policy for the Management Board and Supervisory Board, a suitable deductible shall be agreed.”

Contrary to the GCGC recommendation set out in Clause 3.8, the liability insurance policy taken out by SIMONA AG for its Management Board and Supervisory Board does not include a deductible.

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.

- “In concluding Management Board contracts, care should be taken to ensure that payments made to a Management Board member on premature termination of his contract without serious cause do not

exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the contract. The severance payment cap should be calculated on the basis of the total compensation for the past full financial year and if appropriate also the expected total compensation for the current financial year.

Payments promised in the event of premature termination of a Management Board member's contract due to a change of control should not exceed 150 per cent of the severance payment cap."

The Management Board contracts do not contain a specific clause governing severance entitlements or provisions relating to severance payment caps in the event of premature termination of a contract of service. However, severance pay may be granted on the basis of individual termination agreements.

- "The total compensation of each member of the Management Board is to be disclosed by name, divided into non-performance-related, performance-related and long-term incentive components, unless decided otherwise by the General Meeting by three-quarters majority."

On June 23, 2006, the General Meeting passed a resolution, on the basis of the required majority, for the non-itemised publication of Management Board compensation for a period of five years up to the annual financial and consolidated financial statements prepared for the 2010 financial year.

- "Disclosure [of Management Board compensation] shall be made in a compensation report which as part of the Corporate Governance Report describes the compensation system for Management Board members in a generally understandable way."

The compensation report is published as part of the management report.

- "Members of the Supervisory Board shall receive fixed as well as performance-related compensation. Per-

formance-related compensation should also contain components based on the long-term performance of the enterprise.

The compensation of the members of the Supervisory Board shall be reported individually in the Corporate Governance Report, subdivided according to components."

The General Meeting of Shareholders is authorised to introduce variable compensation for the Supervisory Board, with this form of remuneration being linked to the attainment of specific performance targets. No such variable compensation components were agreed by the General Meeting of Shareholders for the 2007 financial year. Supervisory Board compensation is presented in an itemised format in the compensation report.

Structure of the Supervisory Board and its Committees

- "The Supervisory Board shall set up an Audit Committee which, in particular, handles issues of accounting, risk management and compliance, 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 (referred to as "Audit 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 (Audit Committee)

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

- “The Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the General Meeting.”

The shareholder representatives on the Supervisory Board already discuss such proposals on a separate basis without having formed a specific nomination committee, the aim being to put forward the names of suitable candidates to the Supervisory Board for recommendation to the General Meeting.

- “In its report, the Supervisory Board shall inform the General Meeting of any conflicts of interest which have occurred, together with details of how such issues were addressed. Material conflicts of interest and those which are not merely temporary in respect of the person of a Supervisory Board member shall result in the termination of his mandate.”

On June 23, 2006, Dr. Roland Reber was appointed to the Supervisory Board of SIMONA AG. Dr. Roland Reber also holds the position of Managing Director at Ensinger GmbH, Nufringen. The two entities maintain business relations with each other on arm's length terms. Should a material conflict of interest arise in specific areas as a result of the mandate held by Dr. Roland Reber, the latter will inform the Supervisory Board about such conflict of interest and will not take part in discussions or, if applicable, voting on any such points on the agenda. No conflicts of interest occurred during the period under review.

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.”

Ownership interests held by members of the Management Board or the Supervisory Board are presented in the consolidated financial statements or in the compensation report, which is an integral part of the management report. Furthermore, the ownership interests are presented online insofar as the Company was notified of any movements above or below the thresholds necessitating disclosure.

- “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.

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 the corporate website in order to reach a broad audience and establish a level playing field for shareholders, analysts and other stakeholders.



Consolidated Financial Statements 2007 SIMONA Group



The consolidated financial statements of SIMONA AG and the entities included in the consolidated group have been prepared in accordance with International Financial Reporting Standards (IFRS). Individual items of the balance sheet and income statement have been combined for the purpose of improving financial analysis. The Notes to the consolidated financial statements include details regarding the accounts; any deviations from the prior year financial statements have been explained accordingly, where relevant. Due to the rounding of figures to the next highest or lowest value in thousands of euros (‘000), rounding differences may occur between the balance sheet, income statement, statement of cash flows and statement of changes in equity.

2007 Group Management Report of SIMONA AG

1. Business Activities and General Conditions

1.1 Organisation and legal structure of the SIMONA Group

The SIMONA Group manufactures and markets a range of semi-finished plastics, pipes and fittings as well as finished parts. The materials used include polyethylene (PE), polypropylene (PP), polyvinyl chloride (PVC), polyethylene terephthalate (PETG), polyvinylidene fluoride (PVDF) and ethylene-chlorotrifluoroethylene (E-CTFE) as well as various specialist materials. The production methods applied within this area range from extrusion, pressing and injection moulding to CNC manufacturing. SIMONA also maintains its own plastics laboratories and workshops for the production of customised fittings.

In the period under review, the SIMONA Group operated facilities located in Germany and abroad. Semi-finished products (sheets, rods, welding rods) are manufactured at two plants in Kirn (Rhineland-Palatinate), while sheets and finished parts are produced at the company's plant in Kirchhundem-Würdinghausen (North Rhine-Westphalia) and pipes and fittings at a facility in Ringsheim (Baden-Württemberg). The facility based in Hazleton (Pennsylvania, USA) manufactures products destined mainly for the American market. Two new production sites, one in Jiangmen, China, and another in Litvinov, Czech Republic, are currently being established and are scheduled to commence or extend production in the course of 2008.

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

The SIMONA Group markets its products worldwide. The

Group's distribution structure is based on sales regions (Germany/Rest of Europe and Africa/Asia, America and Australia) as the primary segments; the secondary segments, centred around product areas, comprise semi-finished products as well as pipes and fittings. Sales activities at Group level are conducted by SIMONA AG and subsidiaries in the United Kingdom, Italy, France, Spain, Poland, the Czech Republic, Hong Kong, China and the United States. Beyond this, the AG (i.e. the parent company) operates a sales office in Möhlin, Switzerland. The parent company, SIMONA AG, has its registered office in 55606 Kirn (Germany).

SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic, which commenced operating activities in 2007, was included in the consolidated group for the first time. In June 2007, SIMONA Plast-Technik s.r.o. acquired the plastic fittings operations of PTE Plast-Technik s.r.o., Litvinov, as part of an asset deal.

As at December 31, 2007, the share capital of SIMONA AG was €15,500,000, divided into 600,000 no-par-value bearer shares ("Stückaktien" governed by German law). The shares are traded in the General Standard of the German stock exchange in Frankfurt as well as on the Berlin securities exchange.

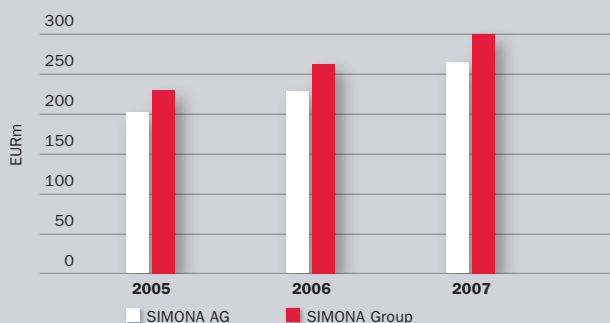
In the financial year under review the Management Board consisted of Wolfgang Moyses (Chairman/CEO), Jochen Feldmann and Dirk Möller. The members of the Supervisory Board were Hans-Wilhelm Voss (Chairman), Hans-Werner Marx (Deputy Chairman), Roland Frobel and Dr. Roland Reber as shareholder representatives, as well as Bernd Meurer and Karl-Ernst Schaab as staff representatives.

1.2 Business Review

Revenue growth significantly higher than industry average

SIMONA again outpaced both the German and the global economy in terms of growth over the course of 2007, as well as outperforming the plastics processing industry as a whole. Compared with the previous year, Group revenue was propelled by €37.1 million to €299.9 million. This corresponds to year-on-year growth of 14.1 per cent, setting a new record for the highest consolidated revenue generated by the company since its inception. The parent company, SIMONA AG, increased its revenue by 16.7 per cent to €265.7 million.

Revenue performance SIMONA AG – SIMONA Group



Germany produces most sizeable growth

The SIMONA Group exploited favourable economic conditions to generate significant revenue growth in the domestic sales region of Germany. Revenue increased by 17.8 per cent year on year, up from €97.5 million to €114.9 million, thus outpacing growth in total revenue. Within this context, the forward momentum came mainly from substantial exports within Germany's chemical and mechanical engineering industries. Expanded production of pressed sheets and the inclusion of finished parts within the portfolio following the takeover of Dehoplast made a significant contribution to revenue growth.

As a sales region, Germany accounted for 38.3 per cent of total revenue, up from 37.1 per cent a year ago.

Within this context, SIMONA was able to take advantage of the continued buoyancy shown by its domestic economy. The German economy displayed strong growth for the second year in succession in 2007, albeit at a slightly less dynamic rate than in the past. The economy as a whole expanded by 2.5 per cent, compared with 2.9 per cent in the previous year. From mid-2007 the general outlook for future economic growth deteriorated as a result of the ongoing crisis within the global financial markets, leading to greater uncertainty. The forward momentum recorded in the domestic market was attributable principally to capital expenditure. Investments in machinery and equipment, for instance, rose by 8.4 per cent, while those channelled into new construction projects increased by 2 per cent compared with the preceding year. Above all, however, net exports proved to be a key contributor to growth, accounting for a share of 1.4 per cent.

The trend within SIMONA's key customer markets was bifurcated. The chemical industry reaped the rewards of solid economic development in 2007, expanding by 4.5 per cent in terms of production output and by 7.5 per cent with regard to sales revenue. However, business performance within the individual segments of the chemical industry was anything but homogeneous: while the base materials sector – polymers, petrochemicals and inorganic base chemicals – only grew by around 2 per cent on average, production output in the other segments of the chemical industry increased markedly.

With projected growth of 11 per cent in 2007, Germany's mechanical engineering sector recorded one of the most successful years of the post-war era. Forward momentum within this area was driven in equal parts by domestic and overseas demand. Exports were buoyed in particular by business activities in Europe, which produced year-on-year gains of close to 17 per cent.

The international trade fairs based in Germany recorded their best results in seven years. Provisional data points to 3 per cent growth in exhibitor, floor space and visitor numbers.

Calculated on the basis of preliminary figures, the German construction industry is likely to report a 4 per cent increase in sales revenue for 2007. Demand and order intake were driven in particular by the greater propensity to invest, both within the private and the public sector.

Against this economic backdrop, the plastics processing industry registered more pronounced growth rates than the German economy as a whole. Revenue generated within this sector rose by 7.5 per cent to €53 billion in 2007. As in the past, growth was driven mainly by exports over the course of 2007. Revenue from foreign sales rose by 9.8 per cent within the plastics processing industry. Buoyed by year-on-year growth, the export ratio thus climbed to a new high of 36.6 per cent (prev. year: 36.0 per cent). In parallel, revenue from domestic sales, which rose by 6.4 per cent, also contributed to growth in the year under review, driven by the continuing strength of the domestic economy. Having said that, earnings generated by companies within the plastics processing sector have come under increasing pressure. Faced with a surge in raw material, energy and transportation costs, many enterprises were unable to pass on to their customers the full extent of price rises. Furthermore, the industry as a whole had to contend with less favourable delivery terms imposed by producers of raw materials.

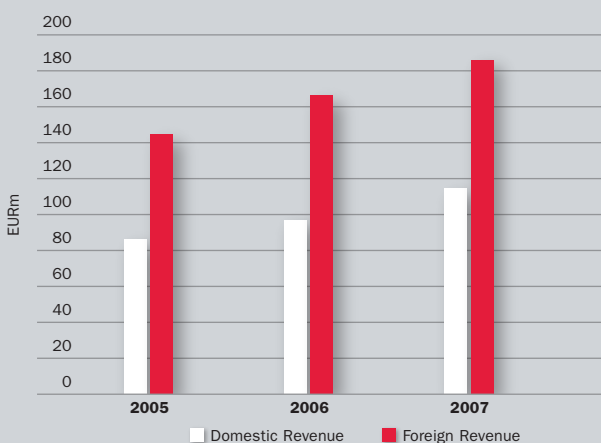
More expansive growth in Europe and Africa

Economic growth in Europe remained stable in 2007. The eurozone as a whole grew by 2.6 per cent (prev. year: 2.7 per cent), while economic expansion in the European Union again stood at 2.9 per cent, the same as in the previous year.

Against this favourable economic backdrop, the Group's sales region of Europe & Africa recorded a significant

year-on-year boost to its growth. At 13.5 per cent, this region expanded at a much more pronounced rate than in the previous year (8.5 per cent). Revenue amounted to €151.3 million, compared to €133.3 million in 2006. Within this context, demand for semi-finished plastics remained particularly strong in Central and Eastern Europe, the main impetus coming from structural engineering and the advertising industry. In parallel, a solid level of orders within the area of chemical tank and equipment engineering continued to produce forward momentum in Europe.

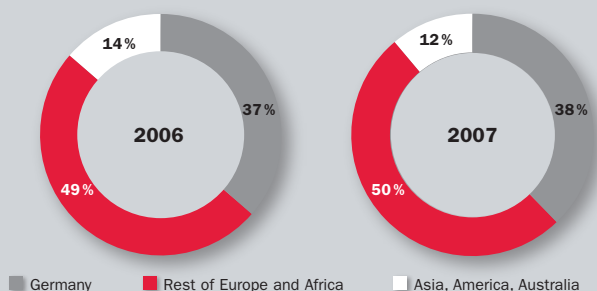
Development of Revenue SIMONA Group



America hit by crisis in financial markets

Whereas business development in the emerging economies of Asia and in Australia remained dynamic over the course of the year, progress in the American market was much slower as a result of subdued demand in the wake of the financial markets crisis as well as the relocation of production from Mountain Top to Hazleton. Having said that, the Group managed to generate forward momentum in terms of regional sales revenue. Due to exchange rate effects, translation into euro, as the reporting currency, produced a €1.7 million decline in revenue to €34.5 million.

SIMONA Group Revenue by region (in %)

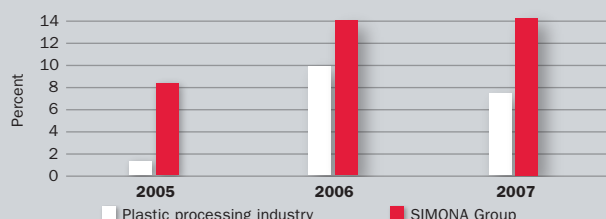


Dynamic development of semi-finished products – Revenue growth from foreign sales in pipes and fittings segment

In addition to benefiting from the prevailing strength of the global economy, the SIMONA Group reaped the rewards of an expanded product portfolio. This translated into larger sales volumes in all product categories. Within the area of semi-finished products, business with pressed sheets made of PE, PP and PVC produced the most sizeable gains in sales volume and revenue. For the first time since the takeover of the plastics business of Deutsche Holzveredelung Alfons & Ewald Schmeing oHG (now Plant V at SIMONA AG) in October 2006, the results of Plant V have been incorporated in profit and loss for a full annual period. This in particular produced a significant rise in sales volumes and revenues within the area of finished parts, profiles and pressed sheets. In total, revenue within the semi-finished products segment rose by 14.0 per cent to €213.1 million.

The piping systems segment continued its forward momentum by expanding its revenues by 9.4 per cent year on year to €7.6 million. The Group's focus on international project business has clearly borne fruit within this area. Non-domestic orders for PE and PP pipes/fittings made a significant contribution to growth.

Revenue Performance plastics processing industry



Improved process engineering – Accelerated product development

In the financial year under review, the main focus of SIMONA's research and development activities was on optimising process technology and formulae as part of an interdisciplinary approach.

The Group intensified its product development activities and unveiled a new PP-DWU AlphaPlus product line that is to be rolled out gradually over the course of 2008. By incorporating special nucleating agents and adjusting key elements within the area of process engineering, we were able to develop a PP-H with alpha-crystalline properties – SIMONA® PP-DWU AlphaPlus. Thus for the first time SIMONA can offer a complete product portfolio consisting of pipes and fittings, sheets as well as solid rods and welding rods featuring a consistently nucleated PP-H as the base material throughout the range. The ultra-fine and stable alpha-crystalline structure has provided the basis for significant improvements in the rigidity, notched impact strength and welding properties of this product. Therefore, the operational safety reserves associated with these materials are considerably higher. Additionally, SIMONA developed its second generation of PE, PP and PPs twin-wall sheets in 2007, with market rollout scheduled for 2008. The new generation of twin-wall sheets has variable web spacing and can withstand higher loads despite their low weight. Because there is no longer a need for steel reinforcements, the potential cost savings within the area of tank construction amount

to roughly 30 per cent. Twin-wall sheets are used mainly for lightweight formwork, swimming-pool covers, sound barriers, tanks, covers for electroplating baths, floating pontoons, silo linings, transport systems and as interior liners for truck trailers.

Research and development expenses are mainly comprised of staff costs, material costs and depreciation/amortisation of non-current assets. Owing to the inter-relationship between customer-specific manufacturing procedures, optimisation measures within the area of process engineering and formulae as well as product development itself, the above-mentioned expenses cannot be systematically segregated from production costs.

2. Financial Performance

Improved earnings

Earnings before interest and taxes managed to keep pace with dynamic revenue growth and rose by €4.8 million to €19.7 million. The EBIT margin improved to 6.6 per cent, up from 5.7 per cent last year, and thus fell just slightly short of the minimum target of 7 per cent.

Against the backdrop of higher raw material prices in particular, expenses attributable to raw materials and consumables rose at a faster rate than sales revenue, which had a dampening effect on overall earnings performance. The cost of materials increased by 16.9 per cent to €175.1 million. Energy costs incurred by the parent company alone rose by more than €2 million. As regards the cost of raw materials, the price of polyolefins, in particular, increased year on year in response to a global surge in demand, while production capacities remained unchanged.

Owing to the intensity of competition within the market, the Group was only able to pass on part of these price rises to its customers. Although gross profit rose by €11.8 million to €124.8 million, the Group's gross

profit margin receded to 41.6 per cent, down from 43.0 per cent a year ago.

Staff costs increased by €6.1 million to €58.1 million in 2007. Of this total, €46 million was attributable to wages and salaries, while €12.1 million was expended on social security and post-employment benefits. The year-on-year increase was attributable principally to the first-time inclusion for a full annual period of payroll items relating to personnel employed at what is now Plant V, which was taken over by the company.

Other operating expenses increased by €4.0 million. Within this context, operating costs remained stable. Distribution costs rose as a result of more expansive sales volumes. Higher charges for outward freight had a noticeable impact on this expense item. At parent-company level, costs associated with advertising and exhibitions increased by €0.8 million due to marketing measures implemented as part of SIMONA's 150th anniversary as well as activities at the world's largest plastics trade fair, "K".

The bottom-line result in America fell short of break-even as a result of delays to the start of production following relocation, economic pressures stemming from the financial crisis and personnel-related issues.

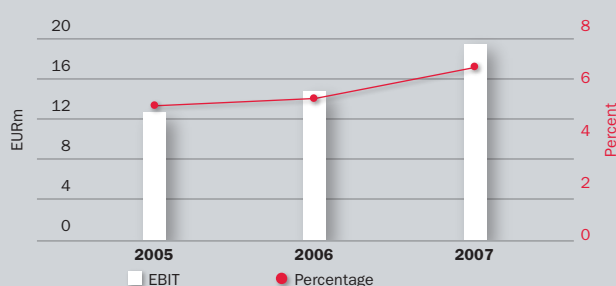
Significant improvement in EBIT

The key financial indicators used by SIMONA for the purpose of analysing and controlling operating results are EBIT (Earnings before Interest and Taxes) and EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation). EBIT represents the operating result before interest and taxes as well as the effects of investments. In the case of EBITDA, non-cash depreciation of property, plant and equipment as well as amortisation of intangible assets are added to the EBIT figure. Both EBIT and EBITDA can thus be used for the purpose of evaluating a company's earnings performance, in addition to providing an approximation of cash flow. Earnings before interest

and taxes amounted to €19.7 million, resulting in an EBIT margin of 6.6 per cent. This represents a significant year-on-year improvement by almost one percentage point. Group EBITDA totalled €32.5 million in the period under review, compared with €28.0 million in 2006. On this basis, the EBITDA margin declined by 0.1 percentage points to 10.8 per cent.

Earnings before interest and taxes at parent-company level improved substantially compared with the previous year, rising by 57.2 per cent to €21.2 million. The EBIT margin of SIMONA AG rose from 5.9 to 7.6 per cent, which is well within the company's target range.

EBIT SIMONA Group



3. Financial Assets and Liabilities

Non-current financial liabilities amount to €5.0 million. A total of €3.4 million is attributable to a loan of a nominal amount of US\$5 million due in September 2010, while a total of €1.6 million relates to principal repayments, due after December 31, 2008, for a loan of US\$3 million nominal. Alongside current financial liabilities, the Group has additional financial liabilities of €5 thousand attributable to forward foreign exchange transactions and €174 thousand in connection with interest rate swaps. Foreign currency forward contracts are used to hedge future customer sales denominated in a foreign currency in order to mitigate the risk of foreign exchange rate movements between this currency and the euro. Interest rate swaps

are designed to hedge the risk of a change in the fair value of US dollar loans.

Other financial obligations include €5.5 million from rental and lease agreements. Of this total, an amount of €1.7 million is due within one year. A total of €10.5 million in current obligations is attributable to investment projects already initiated.

The financial assets mainly comprise cash and short-term bank deposits totalling €22.9 million, as well as assets of €338 thousand attributable to interest rate swaps and foreign currency forward contracts.

Based on finance income of €0.8 million and finance cost of €0.7 million, net finance income amounted to €0.1 million in 2007, which was influenced by exchange rate movements.

4. Financial Position

Further improvement in equity ratio

As at December 31, 2007, total Group assets (i.e. the balance sheet total) rose by €7.4 million to €233.8 million. The year-on-year change is mainly due to an expansion of inventories and receivables following the significant rise in sales volumes, as well as being driven by an increase in other assets.

The SIMONA Group continued to invest in the expansion and modernisation of its production plant over the course of the 2007 financial year. In total, capital expenditure within this area amounted to €13.8 million. At the Ring-sheim facility a new extension was completed for injection moulding operations, and two injection moulding machines with robot-controlled extraction and finishing technology were put into service. The production plant in Kirn was equipped with new sheet extrusion machines as well as a finishing unit for sheet products. The company also invested in new-generation tools. The additions to intangible assets were mainly attributable to software licences.

Non-current assets comprise capitalised corporation tax credits of SIMONA AG amounting to €5.3 million, the economic benefits of which will flow to the company as from December 31, 2008. This is to be seen within the context of the Act Governing Tax Measures Accompanying the Introduction of the European Company and for the Change of other Tax Regulations (SEStEG), according to which the dividend-related reduction of corporation tax is no longer applicable for periods subsequent to 2006. In accordance with these legal provisions, the level of existing credits with a reducing effect on corporation tax was determined, and the entitlement was recognised as an asset in the balance sheet as at December 31, 2007, in an amount equivalent to the present value.

Raw materials and consumables fell slightly by €0.8 million to €15.6 million.

Driven mainly by increased volumes, inventories of finished goods and merchandise rose by €4.8 million to €40.0 million, the rationale behind this expansion being to safeguard future delivery capabilities.

Despite the more expansive business activities, trade receivables remained largely unchanged. This was attributable to two factors. First, the company managed to improve customer payment cycles by pursuing a more stringent form of receivables management. Secondly, trade receivables had already expanded as early as the fourth quarter of 2006 following the takeover of the plastics business formerly operated by Deutsche Holzveredlung Alfons & Ewald Schmeing oHG.

Within the area of "other assets", above all the company recorded an increase in bonus receivables and tax assets.

The reduction in cash by €2.3 million to €22.9 million is discussed extensively in the cash flow statement. Group liquidity was safeguarded at all times during the period under review.

Non-current pension provisions rose by €1 million year on year. Due to higher purchasing volumes, trade payables

increased by €1.5 million. Equity expanded by €8.5 million to €148.3 million, as a result of which the equity ratio rose to 63.4 per cent.

5. Events after the Reporting Date

Effective from January 1, 2008, SIMONA AG sold its ownership interest in Georg Fischer SIMONA Fluoropolymer Products GmbH, Ettenheim, to Georg Fischer Rohrleitungssysteme AG, Schaffhausen (Switzerland). As regards the fluoropolymer market, SIMONA's main focus will be on expanding its business within the core sectors of chemicals and industry. Beyond this, there were no events of material significance to the state of affairs of SIMONA AG in the period between the end of the 2007 financial year and the preparation of this management report. In accordance with statutory provisions, interim announcements will be issued during 2008, outlining the development of the entity and any events that are subject to disclosure requirements.

6. Risks of Future Development

The risk management system of SIMONA AG controls the following material risks: risks relating to the general business environment and sector, financial risks and IT-specific risks.

The risks associated with the general business environment and the sector in which the company operates relate mainly to the economic development of customer segments supplied by SIMONA. They also include price-specific risks due to fluctuating exchange rates and risks emanating from developments on the raw material markets. Owing to our broad range of products and thorough analysis of the market, we are able to mitigate these risks and respond to changes. In establishing our own

production facilities in China and the Czech Republic, we will also improve the company's flexibility when it comes to meeting new customer requirements at a global level. Price risks associated with exchange rates tend to increase in proportion to revenue generated outside the eurozone. The expansion of production in the United States and the establishment of the new plant in China have helped to scale back risks within this area. In addition, SIMONA addresses the issue of currency risk to the largest extent possible by deploying hedging instruments. Price risks relating to raw materials are again likely to be of particular significance in 2008. In view of the record prices achieved by crude oil in the first months of the year, we are anticipating higher procurement costs for raw materials in 2008. Substantial wage settlements may also be a source of potential risk to SIMONA's cost structures in 2008.

Additionally, the risk of default has increased as a result of higher revenues. In this context, thorough investigations in credit ratings and continuous monitoring within this area help to mitigate risk as a whole as well as risk associated with individually identifiable items. Default-related risk associated with specific customers is limited by credit insurance and the 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.

In our opinion, the company's overall risk situation has not changed materially in relation to the previous financial year.

7. Report on Expected Developments

Economic environment to remain stable for the time being

The German, European and global economies will be exposed to more pronounced risks in 2008. However, the actual repercussions of the subprime mortgage crisis are not likely to emerge fully until later in the year. Economic recession has become a probable scenario for the United States. At the very least, the US economy is bracing itself for a slowdown in growth in the coming years. Other risks include those emanating from the raw materials markets. The price of oil continued to rise at the beginning of 2008, a trend that we have also been witnessing in other raw material markets that are of relevance to industrial businesses. A further appreciation of the euro will have a detrimental effect on German exports, the outlook for which still remains optimistic. At the same time, rising inflation will have a tangible impact on the domestic economy. On the back of rising prices, there is also a greater risk of more expansive wage settlements, which may have an adverse effect on the economy. In view of mounting concerns over the future of the economy, the growth forecasts for Germany have been revised downwards in recent months. On the whole, however, general conditions for the German economy remain favourable. As regards SIMONA's business performance, future trends within the area of capital expenditure will be of particular importance. The dynamic investment activity seen in 2007 as regards new machinery and equipment will probably ebb away slightly. At the same time, however, companies are likely to be buoyed by high levels of capacity utilisation in conjunction with solid sales and profit outlooks. In addition, there is a solid order backlog from 2007.

Further expansion of orders

The first three months of the 2008 financial year have delivered a steady stream of demand and produced a year-on-year increase in the overall volume of sales for SIMONA AG.

The target set by the SIMONA Group for the 2008 financial year as a whole is to expand sales volume by 5 per cent and generate revenue of €315 million. Within the area of chemical equipment and plant engineering the course of business will depend primarily on domestic demand. In view of the fact that the Group's domestic customers are highly export-oriented, the future performance of the European and global economy will be of key importance when it comes to attaining the above-mentioned goals. Growth within the area of piping systems is likely to be driven mainly by foreign sales. The newly created mechanical engineering and transport systems unit has provided SIMONA AG with a broader product range in key areas of the value creation chain and will contribute to the company's growth.

Stabilising earnings despite cost-related pressures

Despite the significant pressure exerted on the Group's gross margin as a result of spiralling raw material, energy and transport costs, SIMONA is committed, at the very least, to maintaining its financial performance at a stable level. The measures initiated in 2007 with the express purpose of raising efficiency levels and scaling back costs have already had a tangible effect and will continue to be pursued rigorously in the months ahead. Within this context, the plan is for SIMONA AMERICA to reach breakeven in 2008 after the restructuring measures already initiated for this location. The construction of new facilities in China and the Czech Republic will necessitate substantial investments over the course of 2008. At the same time, however, this strategic move will allow us to improve significantly our supply capabilities within Asia and Europe in the medium term and continue our well-

judged approach of international expansion. SIMONA is targeting an operating profit of €20 million. Business in the 2009 financial year is expected to progress at a comparable level, although this will depend to a large extent on the performance of the global economy, which at present is dominated by uncertainties.

8. Other Information

Employees

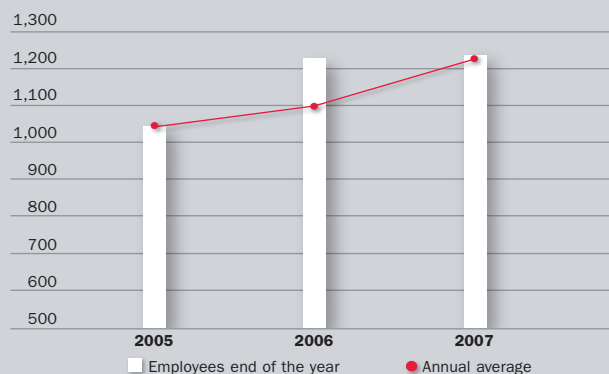
As at December 31, 2007, the SIMONA Group employed 1,227 people, which represents a slight year-on-year increase in staffing levels (2006: 1,224). The average headcount was 1,224. Of the total number of personnel within the Group at the end of 2007, 1,031 staff members were employed by the AG (-16). Prompted by the more international nature of SIMONA's business, the headcount at subsidiaries based in Asia and North America rose from 69 to 87. The European subsidiaries accounted for 109 employees.

Staffing levels at the AG contracted slightly, down 16 year on year, on the back of a significant rise in the headcount in 2006 following the takeover of the plastics business operated by Deutsche Holzveredelung Alfons & Ewald Schmeing oHG. SIMONA expanded its vocational training programme for school-leavers in 2007. At the end of 2007, 63 (prev. year: 61) young people were in apprenticeships relating to various technical or commercial disciplines. Seventeen apprentices successfully completed their vocational training in 2007, three of whom with distinction. In total, fourteen apprentices were offered positions with the company. In addition, three apprentices are attending part-time degree courses on the basis of the integrated educational programme introduced in 2001 in collaboration with the University of Applied Sciences Ludwigshafen.

As in the past, a number of training seminars were organised during 2007 for the purpose of further improving staff qualifications. These measures included training for the respective product segments, cross-departmental seminars as well as subject-specific product and application workshops. In view of the more international nature of our business, we also focused on providing English lessons for staff members as well as intercultural seminars. Training also included computer courses centred around MS Office applications. In February 2007, the Koblenz Chamber of Commerce and Industry presented SIMONA with an award in recognition of the company's exemplary staff training programme.

The introduction of SAP within the area of production, sales and logistics at the company's headquarters was completed back in 2006. To a large extent, intracompany synergies and improvements in efficiency were realised as planned. In 2007, the focus was on implementing additional SAP subprojects at SIMONA production facilities. For instance, SAP was rolled out fully at Plant V, which is mainly responsible for the production of finished parts for the mechanical and transport engineering industries. Additionally, preparations were made for SAP deployment at the company's new site in Litvinov, Czech Republic.

Employees SIMONA Group



Quality and environmental management

Alongside customer orientation, profitability and environmental protection, quality is one of the foremost corporate goals at SIMONA AG. In view of this, one of the key tasks of quality management in the year under review was to determine and monitor customer-specific requirements and assess conformity levels with the help of internal audits.

Regular quality meetings were organised as part of quality and complaints reviews in all areas of the company and at all staff levels. The action plans and quality targets defined as part of these procedures were and continue to be essential tools used for the purpose of improving products and processes.

The newly integrated Würdinghausen facility was incorporated into the company's quality management system; the certification audit in accordance with ISO 9001 was conducted in December 2007 without any departures.

Conformity of SIMONA's QM system and products with the specified requirements was attested by certification bodies and by customers as part of several audits performed at the respective production sites.

The company also continued to roll out a range of measures initiated within the area of environmental management. The declared objective within this area is to scale back energy consumption and reduce production-related waste or deploy an appropriate recycling system for such materials.

A pre-audit was carried out for the Würdinghausen site to establish its conformity with the environmental management provisions set out in ISO 14001. The certification audit will be conducted in 2008.

Compensation Report

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 consists of Hans-Wilhelm Voss, Chairman of the Supervisory Board, as well as the Supervisory Board members Hans-Werner Marx and Roland Frobél. Compensation for the members of the Management Board of SIMONA AG is calculated on the basis of the size of the company, its commercial and financial position, as well as the level and structure of compensation granted to Management Board members of similar enterprises. In addition, the duties and the contribution of the respective members of the Board of Directors are taken into account.

Management Board compensation is performance-based. It is comprised of a fixed level of remuneration as well as a variable component 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 2007.

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. Total compensation for the Management Board amounted to €1,081 thousand (prev. year: €1,015 thousand). This figure was comprised of €691 thousand in fixed-level compensation and €390 thousand in bonus payments. The company does not grant loans to members of the Management Board. There are no share option plans or other share-based compensation programmes in place for members

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

Remuneration for the former members of the Management Board amounted to €782 thousand (prev. year: €778 thousand). Pension provisions for active and former members of the Management Board were recognised to the full extent and amounted to €10,073 thousand as at December 31, 2007 (prev. year: €10,913 thousand).

Supervisory Board compensation

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

Members of the Supervisory Board receive a standard fixed level of compensation amounting to €10,000. The Chairman of the Supervisory Board receives an amount equivalent to double the standard level of compensation; the Deputy Chairman receives an amount equivalent to one and a half times the standard level of compensation. Supervisory Board members who are engaged in Committee work receive supplementary compensation of €5,000. All expenses associated directly with a position on the Supervisory Board, as well as sales tax, are reimbursed.

In addition to fixed compensation, the General Meeting shall be authorised to pass a resolution on a variable

component of compensation, payment of which shall be dependent on whether specific corporate performance indicators have been met or exceeded. At the Annual General Meeting of Shareholders on June 29, 2007, no such resolution for variable compensation components was passed for the 2007 financial year.

Supervisory Board compensation for 2007 amounted to €128 thousand (prev. year: €124 thousand). The company does not grant loans to members of the Supervisory Board. There are no share option plans or other share-based compensation programmes in place for members of the Supervisory Board.

Shareholder structure, shareholdings of the Management Board and Supervisory Board as well as investments subject to disclosure

At the balance sheet date, the share capital of SIMONA AG was €15.5 million, divided into 600,000 bearer shares. All shares are categorised as no-par-value shares ("Stückaktien" governed by German law). There are no restrictions with regard to share transfer or voting rights. An 18.66 per cent interest is held by Anita Bürkle (Kirn), a 12.13 per cent interest by Dr. Wolfgang und Anita Bürkle Stiftung, an 11.64 per cent interest by Dirk Möller (Kirn), an 11.41 per cent interest by Regine Tegtmeyer (Seelze), a 10.67 per cent interest by Kreissparkasse Biberach (Biberach), a 10.0 per cent interest by SIMONA Vermögensverwaltungsgesellschaft mbH (Kirn) and a 6.67 per cent interest by Rossmann Beteiligungs GmbH (Burgwedel). The remaining 18.82 per cent of shares in the company are in free float.

As at June 29, 2007, members of the Management Board reported a total holding of 69,826 own shares; this corresponds to 11.64 per cent of the share capital of SIMONA AG. According to the notification of June 29, 2007, members of the Supervisory Board held a total of 2,800 shares. This corresponds to an interest of 0.467 per cent in share capital.

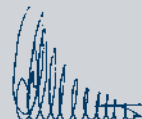
Closing statement

We hereby declare that to the best of our knowledge the management report conveys the course of business, the financial performance and the material opportunities and risks associated with the expected development of the SIMONA Group.

Kirn, 1 April 2008



Wolfgang Moyses



Dirk Möller



Jochen Feldmann

Group Income Statement of SIMONA AG

in € '000	Notes	01/01/ – 31/12/2007	01/01/ – 31/12/2006
Revenue	[9]	299,881	262,776
Other operating income		4,694	3,508
Changes in inventories of finished goods	[19]	4,813	3,367
Cost of materials		174,942	149,775
Staff costs	[10]	58,130	52,076
Depreciation of property, plant and equipment, and amortisation of intangible assets	[17] + [18]	12,805	13,167
Other operating expenses	[12]	43,788	39,775
Finance income	[13]	763	830
Finance costs	[13]	653	563
Profit before income taxes		19,833	15,125
Income taxes	[14]	5,688	–1,041
Profit for the year		14,145	16,166
of which attributable to:			
owners of the parent		14,118	16,146
minority interests		27	20
Earnings per share:			
in € '000			
– basic, calculated on the basis of profit for the year attributable to ordinary shareholders of the parent company	[15]	23.53	26.96
– diluted, calculated on the basis of profit for the year attributable to ordinary shareholders of the parent company	[15]	23.53	26.96

Group Balance Sheet of SIMONA AG

Assets in € '000	Notes	31/12/07	31/12/06*
Intangible assets	[17]	2,524	3,612
Property, plant and equipment	[18]	85,735	87,032
Financial assets		23	29
Non-current tax assets	[14]	5,348	5,837
Deferred tax assets	[14]	545	615
Non-current assets		94,175	97,125
Inventories	[19]	55,679	51,627
Trade receivables	[20]	47,449	47,609
Other assets and prepaid expenses	[21]	9,191	4,788
Derivative financial instruments		338	115
Cash	[22]	22,875	25,151
Current assets		135,532	129,290
Assets of a disposal group classified as held for sale	[7]	4,082	0
Total assets		233,789	226,415
Equity and liabilities in € '000	Notes	31/12/07	31/12/06*
Issued capital		15,500	15,474
Capital reserves		15,274	15,032
Revenue reserves		118,833	109,320
Other reserves		-1,499	-223
Equity attributable to owners of the parent		148,108	139,603
Minority interests		227	204
Equity	[23]	148,335	139,807
Financial liabilities	[24]	4,991	5,821
Provisions for pensions	[25]	35,025	34,010
Other provisions	[27]	6,221	5,888
Other liabilities		258	299
Deferred tax liabilities	[14]	8,074	10,284
Non-current liabilities		54,569	56,302
Financial liabilities	[24]	305	353
Provisions for pensions	[25]	1,496	1,475
Other provisions	[27]	3,457	2,444
Trade payables		11,978	10,536
Income tax liabilities		554	2,516
Other liabilities and deferred income		11,787	12,818
Derivative financial instruments		179	164
Current liabilities		29,756	30,306
Liabilities related to assets held for sale	[7]	1,129	0
Total assets		233,789	226,415

* Some of the amounts may differ due to reclassifications implemented as part of the application of IFRS 7 for the 2006 financial year.

Notes to Consolidated Financial Statements of SIMONA AG

[1] Company information

SIMONA AG is a stock corporation (Aktiengesellschaft) founded in Germany – registered office at Teichweg 16, 55606 Kirn, Germany. Its shares are traded within the General Standard of the Frankfurt and Berlin Stock Exchanges.

The activities of SIMONA AG mainly include the production and sale of semi-finished products in the form of sheets, rods, welding rods, pipes and fittings made of thermoplastics.

Semi-finished products are manufactured at facilities in Kirn, Kirchhundem-Würdinghausen, Hilchenbach-Lützel (Germany) and Hazleton (USA); pipes are produced at a facility in Ringsheim (Germany) and fittings at facilities in Ringsheim and Litvinov (Czech Republic). The products are marketed under the joint SIMONA brand as well as a range of separate brands.

SIMONA AG maintains a sales office in Möhlin/Switzerland.

In addition, distribution is conducted via subsidiaries in the United Kingdom (SIMONA UK Limited, Stafford/United Kingdom), France (SIMONA S.A., Domont/France), Italy (SIMONA s.r.l., Vimodrone/Italy), Spain (SIMONA IBERICA SEMIELABORADOS S.L., Barcelona/Spain), Poland (SIMONA POLSKA Sp. z o.o., Wrocław/Poland, DEHOPLAST Polska Sp. z o.o., Kwdzryn/Poland), Czech Republic (SIMONA-PLASTICS CZ, s.r.o., Prague/Czech Republic), Hong Kong (SIMONA Far East Ltd., Hong Kong/China), China (SIMONA Engineering Plastics Trading Co. Ltd, Shanghai/China) and the United States (SIMONA AMERICA Inc., Hazleton/USA).

The subsidiary SIMONA Plast-Technik s.r.o., Litvinov/Czech Republic, commenced its operational business activities in 2007 and has been included in the consolidated financial statements for the first time.

Accounting policies

[2]

Basis of preparation

The consolidated financial statements are prepared using the historical cost principle, with the exception of derivative financial instruments and available-for-sale financial assets, which are measured at fair value. The consolidated financial statements are prepared in euro. Unless otherwise stated, all amounts are rounded to € '000.

Statement of compliance with IFRS

The consolidated financial statements of SIMONA AG and the entities included in the consolidated group for the period ended December 31, 2007, have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the reporting date, as adopted by the European Union, and the provisions of commercial law to be applied additionally pursuant to Section 315a(1) of the German Commercial Code (Handelsgesetzbuch – HGB).

The term “IFRS” comprises all International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) to be applied on a mandatory basis as at the reporting date. Additionally, all interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) – formerly Standing Interpretations Committee (SIC) – were applied insofar as their application was mandatory for the 2007 financial year.

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

Principles of consolidation

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

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

Subsidiaries are fully consolidated effective from the acquisition date, which is the date on which the Group effectively obtains control. Inclusion in the consolidated financial statements ends as soon as the parent ceases to control the subsidiary.

Pursuant to IFRS 3, all business combinations shall be accounted for on the basis of the purchase method, according to which the identifiable assets acquired as well as the liabilities and contingent liabilities assumed are recognised at their fair value. The excess of the cost of the combination over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is recognised as goodwill and is subject to regular impairment testing. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, a reassessment is performed in respect of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities, and any excess remaining after that assessment is recognised immediately in profit or loss.

Minority interests are disclosed separately in the Group income statement and within equity of the Group balance sheet.

New financial reporting standards

[3]

New financial reporting standards to be applied by entities

The IASB made several amendments to existing International Financial Reporting Standards, as well as introducing new IFRS and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that are to be applied by entities for annual periods beginning on or after January 1, 2007, unless otherwise specified. The following section provides a brief summary of the respective changes or newly issued standards to the extent that they are of relevance to the consolidated financial statements, as well as a description of the effects on measurement and recognition within the consolidated financial statements of the company.

IFRS 7 Financial Instruments: Disclosures

This Standard requires entities to provide disclosures in their financial statements that enable users of financial statements to evaluate the significance of financial instruments for the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed. The disclosures relating thereto can be found throughout the financial statements. The application of this standard has had no effect on the net assets, financial position and results of operations, i.e. performance, financial position and change in financial position, of the Group. The relevant comparative information has been adjusted accordingly.

IAS 1 Presentation of Financial Statements

The amendment to IAS 1 includes new requirements for the disclosure of an entity's objectives, policies and processes for managing capital.

IFRIC 9 Reassessment of Embedded Derivatives

Under IFRIC 9, an entity shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As the Group had no embedded derivatives to be separated from the host contract, this Interpretation had no effect on the Group's financial performance, financial position and change in financial position.

IFRIC 10 Interim Financial Reporting and Impairment

The Group applied IFRIC Interpretation 10 effective from January 1, 2007. The consensus under IFRIC 10 is that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. The Group performed no reversals of recognised impairment losses in the interim reporting period, and therefore this Interpretation had no effect on the Group's financial performance, financial position and change in financial position.

Financial reporting standards to be applied by entities in the future

In addition to the aforementioned IFRS to be applied by entities for the 2007 financial year, the IASB issued or amended several other IFRS and IFRIC which have already undergone the endorsement process of the European Union but will not become applicable until a later date.

IFRS 8 Operating Segments

IFRS 8 was issued in November 2006 and must be applied by entities for annual periods beginning on or after January 1, 2009. IFRS 8 requires the disclosure

of information relating to a Group's operating segments and replaces the provision that specified the presentation of primary and secondary segment reporting for an entity. IFRS 8 is centred around the so-called management approach, according to which segment reporting shall be based solely on financial information used by an entity's decision-making bodies for the purpose of internal management of the entity. Within this context, the key areas of significance relate to the internal reporting and organisational structure of an entity as well as to those elements of financial data that are relied upon in decision-making processes regarding the allocation of resources or the assessment of an entity's performance. Segment reporting may be subject to change as a result of IFRS 8.

Additionally, the IASB and IFRIC made amendments to five existing standards (IAS 1 – Presentation of Financial Statements, IAS 23 – Borrowing Costs, IAS 27 – International Accounting Standard 27 Consolidated and Separate Financial Statements, IFRS 2 – Share-based Payment, IFRS 3 – Business Combinations) and issued three new interpretations (IFRIC 12 – Service Concession Arrangements, IFRIC 13 – Customer Loyalty Programmes, IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction), which have yet to undergo the appropriate endorsement process of the European Union. Therefore, SIMONA AG is not permitted to apply these standards on a voluntary basis for an earlier annual period. The amendments to these standards shall be applied for annual periods beginning on or after January 1, 2009. By contrast, the new interpretations shall be applied at the earliest for annual periods beginning on or after January 1, 2008. In the event of an EU endorsement, application of said standards and interpretations, particularly IFRS 3 (Business Combinations) and IAS 1 (Presentation of Financial Statements), may have an effect on recognition, measurement and reporting.

[4] Material judgements and estimates

Judgements

When applying the accounting policies, the management made the following judgements with the most significant effect on the amounts recognised in the financial statements. Within this context, decisions containing estimates have not been taken into account.

Significant estimates include, among other things, judgements relating to the classification of leases, the recognition of provisions, the estimation of useful lives of non-current assets and the evaluation of impairment to trade receivables, inventories as well as deferred tax assets.

Uncertainties relating to estimates

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

Impairment of goodwill

The Group performs impairment tests for goodwill at least once per year. This requires estimates to be made with regard to the value in use of cash-generating units to which goodwill is allocated. For the purpose of estimating the value in use, the Group has to determine, on the basis of estimates, the projected cash flows associated with the cash-generating unit, as well as selecting an appropriate discount rate in order to determine the present value of the aforementioned cash flows. As at December 31, 2007, the carrying amount of goodwill was €143 thousand (prev. year: €143 thousand).

Deferred tax assets

Deferred tax assets are recognised for the carryforward

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

Provisions

Provisions are recognised in accordance with the accounting policies discussed in Note 27. In determining the level of provisions, the management is required to make significant judgements as to the timing and the amounts of future outflow of resources.

Pensions

Expenses relating to defined benefit plans are determined on the basis of actuarial methods. Actuarial valuation is conducted on the basis of assumptions in respect of discount rates, future salary increases, mortality and future pension increases. In view of the long-term orientation of such plans, these estimates are associated with significant uncertainty. For further details, please refer to Note 25.

Summary of significant accounting policies [5]

Interests in a joint venture

SIMONA AG holds an interest in Georg Fischer SIMONA Fluoropolymer Products GmbH, Ettenheim, which is a jointly controlled entity (joint venture). The Group accounts for its interest in the joint venture by applying proportionate consolidation. The financial statements of the joint venture are prepared using uniform accounting policies for the same financial year as the financial statements of the parent company. Any differences arising in con-

nection with these accounting policies are eliminated by means of appropriate adjustments.

When the venturer contributes or sells assets to the joint venture, recognition of any portion of a gain or loss from the transaction reflects the substance of the transaction. When the venturer purchases assets from a joint venture, the venturer does not recognise its share of the profits of the joint venture from the transaction until it resells the assets to an independent party.

The joint venture is included in the consolidated financial statements, applying the method of proportionate consolidation, until such time as the Group's joint control over the joint venture ceases.

Assets of a disposal group classified as held for sale as well as liabilities related to assets held for sale

Non-current assets and disposal groups are reported separately in the balance sheet as "held for sale" if they are available for immediate sale and their sale is highly probable. Non-current assets and disposal groups classified as "held for sale" are measured at the lower of their carrying amount and fair value less costs to sell. In accordance with their classification, liabilities directly related to an asset held for sale are presented separately from other liabilities in the balance sheet.

Currency translation

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

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

- SIMONA UK Ltd., Stafford, United Kingdom
– Pound Sterling
- SIMONA POLSKA Sp. z o.o., Wrocław/Poland
– Polish Zloty
- DEHOPLAST Polska Sp. z o.o., Kwidzyn, Poland
– Polish Zloty
- SIMONA-PLASTICS CZ s.r.o, Prague, Czech Republic
– Czech Koruna
- SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic
– Czech Koruna
- SIMONA FAR EAST Ltd., Hong Kong, China
– Hong Kong Dollar
- SIMONA ASIA Ltd., Hong Kong, China
– Hong Kong Dollar
- SIMONA AMERICA Inc., Hazleton, USA
– US Dollar
- 64 North Conahan Drive Holding LLC, Hazleton, USA
– US Dollar
- SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai, China – Renminbi
- SIMONA ENGINEERING PLASTICS Co. Ltd., Jiangmen, China – Renminbi

The items accounted for in the respective financial statements are measured on the basis of the functional currency. Foreign currency transactions are translated initially between the functional currency and the foreign currency at the arithmetic mean rate applicable on the day of the transaction. All exchange differences are recorded in profit or loss for the period.

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

In the consolidated financial statements expenses and

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

On the disposal of a foreign operation, the cumulative amount of the exchange differences accounted for in respect of the foreign operation is recognised in profit or loss.

Property, plant and equipment

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

The carrying amounts of property, plant and equipment are tested for impairment as soon as there are indications that the carrying amount of an asset exceeds its recoverable amount.

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

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Intangible assets

Acquired and internally generated intangible assets are capitalised in accordance with IAS 38 if it is probable

that the intangible asset will generate future economic benefits and the costs of the intangible asset can be reliably measured. They are measured at cost of purchase or conversion. Intangible assets with a finite useful life are amortised on the basis of the length of that useful life. Amortisation of intangible assets, with the exception of capitalised development costs, is performed over a useful life of between three and five years. Intangible assets with indefinite useful lives are regularly assessed for impairment. In the case of impairment, they are adjusted to their recoverable amount.

Research and development costs

The research and development activities conducted by SIMONA AG are directed principally at the optimisation of production and manufacturing processes (advancement within the area of production engineering), at changes and improvements to formulae, some of which have been in existence for an extensive period of time, or at fundamental improvements for the purpose of meeting specified quality and inspection requirements, including new testing procedures and new areas of application. Generally, these activities do not involve the development of an entirely new product that would sever the link with existing formulae and manufacturing processes.

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

In addition, SIMONA AG does not capitalise development

costs to the extent that costs (expenditure) cannot be reliably allocated to development projects. The costs are recognised as expense in the period in which they are incurred.

There were no development projects resulting in the capitalisation of intangible assets in 2007 or 2006.

Impairment of assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If such indications are present or an annual impairment test of an asset is required, the Group makes an estimate of the recoverable amount.

Investments and other financial assets

Financial assets within the meaning of IAS 39 are classified either as financial assets at fair value through profit or loss, as loans and receivables, as held-to-maturity investments or as available-for-sale financial assets. On initial recognition the financial assets are measured at fair value. Additionally, in the case of financial assets other than those classified as at fair value through profit or loss, transaction costs directly attributable to the acquisition of the asset are accounted for accordingly. The designation of financial assets to the respective measurement categories occurs upon initial recognition. To the extent that they are permitted and necessary, reclassifications are performed at the end of the financial year.

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

The group of financial assets at fair value through profit or loss comprises financial assets held for trading. A financial asset is classified as held for trading if it is

acquired principally for the purpose of selling it in the near term. Derivates, including embedded derivatives accounted for separately, are also classified as held for trading, with the exception of those derivatives that are designated and effective hedging instruments. Gains and losses on financial assets held for trading are recognised in profit or loss.

Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity are classified as held-to-maturity investments. After initial recognition held-to-maturity investments are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the financial asset is derecognised or impaired, and through the amortisation process.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition loans and receivables are measured at amortised cost using the effective interest method, less impairments where applicable. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. After initial recognition available-for-sale financial assets are measured at fair value. Gains and losses on available-for-sale financial assets are recognised directly in equity. If an available-for-sale financial asset is derecognised or impaired, the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

The fair value of financial instruments traded within organised markets is determined on the basis of the market price quoted at the reporting date. The fair value

of financial instruments for which no active market exists is determined on the basis of valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and other valuation models.

Held-to-maturity investments as well as loans and receivables are measured at amortised cost. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts, minus any reduction for impairments.

A financial asset (or a part of a financial asset or a part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial asset expire.

Impairment of financial assets

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

the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

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

Inventories

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

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

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

Treasury shares

Any treasury shares acquired by the Group are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the entity's own equity instruments.

Interest-bearing borrowings

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

Cash

Cash recognised in the balance sheet comprises cash on hand, bank balances and short-term deposits with original maturities of less than three months.

As regards the consolidated cash flow statement, cash and cash equivalents comprise the aforementioned cash items in addition to overdrafts used by the Group and securities that are readily convertible to cash.

Other provisions

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

Pensions

The Group has direct pension plans as well as one indirect pension plan. The indirect pension plan is serviced by SIMONA Sozialwerk GmbH, which manages the plan assets. The plan assets are accounted for in the Group balance sheet such that the fair value of those assets of SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH that fulfil the requirements for plan assets are deducted from the benefit obligation of the Group (funding company) when

measuring the pension provision to be recognised. As the requirements for plan assets specified in IAS 19.7 have been fulfilled, the deduction of the plan assets from the obligation of the Group does not give rise to an obligation to consolidate on the part of SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH because their sole purpose is to service the pension obligations.

Provisions for pensions are accounted for on the basis of the Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) (IAS 19). As part of this process, besides pensions and benefits known at the reporting date, expected future increases in salaries and pensions are accounted for with sufficient reliability. The calculation is based on actuarial reports that take into account specific biometric data. Actuarial gains and losses are recognised as income or expense if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10 per cent of the present value of the defined benefit obligation at that date (before deducting plan assets) and 10 per cent of the fair value of any plan assets at that date.

The amount recognised as a defined benefit liability is the net total of the present value of the defined benefit obligation at the end of the reporting period plus any actuarial gains (less any actuarial losses) not recognised minus any past service cost not yet recognised minus the fair value at the end of the reporting period of plan assets out of which the obligations are to be settled directly.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be measured reliably. Additionally, the following conditions must be satisfied for the recognition of revenue.

a) Sale of goods

Revenue is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

b) Interest

Revenue is recognised using the effective interest method when the interest arises.

Taxes

a) Current tax assets and current tax liabilities

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

b) Deferred taxes

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

c) Value added tax

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

Derivative financial instruments and hedging instruments

Derivate financial instruments are used solely for hedging purposes in order to mitigate currency and interest rate risks arising from operating business. Under IAS 39, all derivative financial instruments, such as interest rate, currency and foreign exchange forward contracts as well as currency options, are to be carried at fair value, irrespective of the purpose such transactions have been entered into by the entity.

The derivative financial instruments do not fulfil the restrictive requirements of IAS 39 applying to the recognition of hedging relationships. Therefore, gains and losses arising from a change in the fair value of derivative financial instruments are recognised immediately in profit or loss.

The fair value of derivative financial instruments is calculated on the basis of market data and generally accepted valuation methodologies. The market changes associated with derivative financial instruments are reported in the results.

Business combinations

[6]

Company acquisition in 2007

On June 11, 2007, the SIMONA Group, acting through SIMONA Plast-Technik s.r.o., acquired the plastic fittings operations of PTE Plast-Technik s.r.o., Litvinov, as part of an asset deal. The object of the acquired business segment is the production of plastic fittings.

The acquisition encompassed the movable and immovable non-current assets attributable to property, plant and equipment, as well as the existing raw materials and consumables. The employees were taken over within the framework of the acquisition.

The cost attributable to the business combination was €650 thousand, which is equivalent to the purchase

price of the acquired assets. The costs associated with the acquisition were paid fully at the reporting date from cash resources held by SIMONA Plast-Technik s.r.o.

The fair values of the identifiable assets at the date of acquisition and the total cost of acquisition are outlined below:

in € '000	Fair value at date of acquisition
Non-current assets (property, plant, equipment)	645
Current assets	5
Net assets acquired	650
Total cost of acquisition	650
Difference	0

The business combination contributed an amount of minus €13 thousand to the consolidated profit for the year. Due to the absence of data for this separate business segment prior to the date of acquisition, the company is not in a position to determine what the extent of revenue and earnings would have been at Group level if the business combination had been executed at the beginning of the year.

Company acquisitions in 2006

On October 1, 2006, SIMONA AG acquired, as part of an asset deal, the plastics division of Deutsche Holzveredelung Alfons & Ewald Schmeing oHG, Kirchhundem-Würdinghausen, comprising the two product groups “dehoplast” and “frisylen”. The object of the plastics division is the production and sale of semi-finished plastics, accessories made of plastic, sliding rails and profiles.

The acquisition encompassed the movable non-current assets attributable to property, plant and equipment, in addition to raw materials and consumables, work in progress and finished goods as well as merchandise, including all intangible assets attributable to operations. The acquisition also included staff members employed within the plastics division.

The cost attributable to the business combination was €5,733 thousand. It included the purchase price for assets acquired, amounting to €5,695 thousand, and the costs directly attributable to the business combination, amounting to €38 thousand. The costs of acquisition were paid fully from cash resources of SIMONA AG, with the exception of the liability of €757 thousand recognised as at the reporting date of December 31, 2006.

The fair values of the identifiable assets at the date of acquisition and the total cost of acquisition are outlined below:

in € '000	Fair value at date of acquisition
Non-current assets	2,723
Current assets	3,071
Net assets acquired	5,794
Total cost of acquisition	5,733
Negative goodwill	61

Analysis of the acquired intangible assets (order backlog, proprietary rights and customer relations) produced no amounts of a material nature. In view of the negligible effect on financial performance, financial position and cash flows, the decision was made not to present these items separately.

Negative goodwill of €61 thousand was recognised as other operating income in the 2006 financial year.

Owing to the integration of accounting procedures within SIMONA AG, the company is not in a position to determine separately the proportionate contribution of the acquired plastics division to the consolidated profit of the Group. Due to the absence of data for this separate business segment prior to the date of acquisition, the company is not able to determine what the extent of revenue and profit would have been at Group level if the business combination had been executed at the beginning of the year.

On October 1, 2006, SIMONA AG acquired a 51 per cent interest in DEHOPLAST Polska Sp. z o.o., Kwidzyn/ Poland, which markets semi-finished plastics and other plastic products.

The cost attributable to the business combination was €50 thousand and comprised the purchase price in respect of the ownership interests as well as costs directly attributable to the business combination. As at the reporting date of December 31, 2006, the costs of acquisition were recognised as a liability in the amount of €50 thousand. At the beginning of the 2007 financial year, they were paid in full from cash resources held by SIMONA AG.

At the date of acquisition the fair value of the identifiable assets and liabilities of DEHOPLAST Polska Sp. z o.o. as well as the aggregate acquisition costs were as follows:

in € '000	Fair value at date of acquisition
Non-current assets	4
Current assets	388
Current liabilities	267
Minority interests	61
Net assets acquired	64
Total cost of acquisition	50
Negative goodwill	14

Negative goodwill of €14 thousand was recognised as other operating income in the 2006 financial year.

As of October 1, 2006, the 51 per cent interest acquired in DEHOPLAST Polska Sp. z o.o. contributed earnings of €9 thousand to the consolidated profit for the Group (2006). If the business combination had occurred effective from the beginning of the financial year, the annual profit for the Group would have amounted to €16,177 (+ €11 thousand).

Interests in a joint venture / Assets of a disposal group classified as held for sale as well as liabilities related to assets held for sale [7]

Joint venture

SIMONA AG holds an interest of 50 per cent in Georg Fischer SIMONA Fluoropolymer Products GmbH, headquartered in Ettenheim. The joint venture is operated as a jointly controlled entity.

in € '000	2007	2006
Non-current assets	2,196	2,284
Current assets	1,886	1,610
Total assets	4,082	3,894
Equity	2,327	2,170
Non-current liabilities	176	155
Current liabilities	1,579	1,569
Total liabilities	1,755	1,724
Income	6,811	7,365
Expense	6,654	7,177

Assets of a disposal group classified as held for sale as well as liabilities related to assets held for sale

On November 15, 2007, the Management Board of SIMONA AG, in concert with the Supervisory Board of SIMONA AG, passed a resolution for the disposal of the ownership interests in Georg Fischer SIMONA Fluoropolymer Products GmbH. The entity produces and markets plastic pipes and fittings made of the fluoropolymer PVDF. The business trends associated with this specific product group are subject to significant fluctuations and cyclic movements. It would have been extremely difficult to plan and achieve real growth and sustainable profitability against this backdrop.

At December 31, 2007, the closing negotiations for the sale of these ownership interests had not yet been completed. Therefore, as at December 31, 2007, Georg Fischer SIMONA Fluoropolymer Products GmbH was clas-

sified as a group of assets held for sale.

At December 31, 2007, the principal groups of assets and liabilities of Georg Fischer SIMONA Fluoropolymer Products GmbH classified as held for sale – before consolidation procedures – were as follows:

in € '000	2007
Property, plant and equipment	2,196
Non-current assets	2,196
Inventories	858
Receivables and other assets	990
Prepaid expenses	38
Current assets	1,886
Total assets	4,082
Long-term provisions	176
Non-current liabilities	176
Trade payables	207
Liabilities to other long-term investees and investors	618
Other current liabilities	754
Current liabilities	1,579
Total liabilities	1,755

[8] Segment reporting

In accordance with IAS 14, the activities of the SIMONA Group are categorised by region as the primary reporting format and by product area as the secondary reporting format. Segmentation is based on internal organisational, controlling and reporting structures.

The activities of the SIMONA Group can be broken down into those attributable to Germany, the Rest of Europe, as well as Asia and America, including Australia. The SIMONA Group produces and markets semi-finished plastics and pipes, including fittings.

As a matter of course, segment information is based on the same principles of presentation and the same

accounting policies as those applied to the consolidated financial statements. Receivables, liabilities, revenues and expenses as well as profit/loss between the individual segments are eliminated as part of reconciliation. Internal transfer pricing between the business segments is determined on the basis of competitive market prices charged to unaffiliated third parties.

In the case of segment information by region, external sales revenue relates to the country in which the customer is domiciled. The segment result refers to the result from operating activities before the effects of financing activities and excluding income tax effects. Capital expenditure relates to additions to intangible assets as well as property, plant and equipment. Segment assets and segment liabilities comprise assets and liabilities that contribute to the achievement of operating profit. Depreciation and amortisation of non-current assets relate to both intangible assets and property, plant and equipment.

The following tables include information relating to revenues and profit or loss as well as specific information regarding assets and liabilities of the regional segments or product areas of the Group for the financial years ended December 31, 2007 and 2006.

Segment assets and segment liabilities differ from disclosures in the balance sheet in terms of income tax items and cash. Data presented in respect of earnings is based on EBIT.

Segment information – SIMONA Group for the 2007 financial year

Segmentation by region	Germany		Rest of Europe and Africa		Asia, America and Australia		Eliminations		Group	
in € '000	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenue from sales to external customers	114,900	97,462	151,277	133,291	34,533	36,230	-829	-4,207	299,881	262,776
Revenue from sales to other segments	1,195	966	58,635	45,960	9,405	7,328	-69,235	-54,254	0	0
Segment revenue									299,881	262,776
Segment profit/loss	11,299	7,210	9,801	6,188	-1,377	1,464	0	-4	19,723	14,858
Segment assets	148,620	151,528	28,003	25,337	21,465	17,080			198,088	193,945
Segment liabilities	62,884	60,634	4,067	4,498	8,263	8,360			75,214	73,492
Segment capital expenditure	9,256	10,795	1,923	393	2,646	7,662			13,825	18,850
Depreciation/amortisation	11,955	12,640	323	241	527	286			12,805	13,167
Material non-cash expenses (excl. depreciation)	4,943	4,559	205	123	212	12			5,360	4,694

Segmentation by product area	Semi-finished plastics		Pipes and fittings		Eliminations		Group			
in € '000	2007	2006	2007	2006	2007	2006	2007	2006		
Revenue from sales to external customers	213,148	186,907	87,562	80,076	-829	-4,207	299,881	262,776		
Segment assets	147,286	138,951	50,802	54,994	0	0	198,088	193,945		
Segment capital expenditure	9,152	14,796	4,673	4,054	0	0	13,825	18,850		

[9] Sales revenue

Sales revenue is attributable solely to the sale of semi-finished plastics, pipes and fittings. The classification of sales revenue by region and product segment is outlined in segment reporting – Note 8.

[10] Staff costs

in € '000	2007	2006
Wages and salaries	46,055	40,654
Expenses relating to social security	9,564	9,014
Expenses relating to pensions	2,511	2,408
	58,130	52,076

[11] Research and development expenses

The costs incurred as part of research and development activities vary in nature and are recognised in the respective items of the Group income statement. Delineation of research and development costs from costs incurred when implementing customised product properties is not possible on a systematic basis due to the same production processes applied in both areas. Research and development expenses are mainly comprised of staff costs, material costs and depreciation of property, plant and equipment.

[12] Rental and leasing expenses

Other operating expenses include expenses relating to rental and lease agreements amounting to €2,628 thousand in the financial year under review (prev. year: €2,303 thousand). The expenses are attributable mainly to the rental of dispatch warehouses and production facilities. The rental agreements have various contractual maturities (usually 3 to 15 years); some of the rental agreements include options for the extension of rental periods. All rental and lease agreements are structured as operating leases within the meaning of IAS 17.

Net finance income

[13]

in € '000	2007	2006
Finance income	763	830
of which from the measurement of derivatives	0	50
of which from loans and receivables	763	780

in € '000	2007	2006
Finance costs	653	563
of which from the measurement of derivatives	176	60
of which from borrowings and financial liabilities	477	503

Income taxes

[14]

The principal elements of income tax expense for the 2007 and 2006 financial years are as follows:

in € '000	2007	2006
Current tax		
Current tax expense	8,057	5,625
Income from measurement of credits for the reduction of corporation tax	-229	0
Capitalisation of credits for the reduction of corporation tax	0	-5,837
Deferred tax		
Origination and reversal of temporary differences	-2,140	-829
Income tax expense/refund reported in Group income statement	5,688	-1,041

Reconciliation between income tax expense and the product of profit for the year carried in the balance sheet and the tax rate applicable to the Group for the 2007 and 2006 financial years is as follows:

in € '000	2007	2006
Profit before income taxes	19,833	15,125
Income tax expense at German tax rate of 37.47% (prev. year: 37.47%)	7,431	5,667
Adjustments relating to reduction of future income tax charge (tax rate applicable in the future 28.43%)	-1,793	0
Tax effect of non-deductible expenses	31	23
Tax rate differences	-11	-42
Recognition of deferred tax assets relating to loss carryforwards attributable to previous year	64	-391
Income from measurement of credits for the reduction of corporation tax	-229	0
Capitalisation of credits for the reduction of corporation tax	0	-5,837
Loss carryforwards used in connection with deferred tax assets not recognised in previous year	-250	-194
Other	445	-267
Income tax expense at effective tax rate of 28.67% (prev. year: -6.9%)	5,688	-1,041
Income tax expense/refund reported in Group income statement	5,688	-1,041

At December 31, 2007, the potential credit for the reduction of corporation tax, which results from the provisions set out in Section 37 and 38 KStG and is to be disclosed in accordance with IAS 12.82A, was €7,392 thousand (prev. year: €7,392 thousand). In the period under review, the credit for the reduction of corporation tax was measured at the present value of €6,066 thousand (prev. year: €5,837 thousand). Payouts made in connection with the corporation tax credits are implemented in ten identical annual instalments of €739 thousand p.a. in the period from 2008 to 2017. To the extent that

these payments do not fall due within one year, the items are accounted for in the balance sheet as non-current assets. Payments due within one year are carried as current assets.

Deferred tax

The deferred tax liabilities and assets for the period under review are outlined below:

in € '000	Group income		Group balance sheet statement	
	31/12/2007	31/12/2006	2007	2006
Deferred tax liabilities				
Non-current assets	9,292	11,931	-2,639	-1,010
Inventories	2,860	3,249	-389	601
Receivables and other assets	396	508	-112	147
Other provisions and liabilities	72	173	-101	40
Other items	101	125	-24	35
	12,721	15,986	-3,265	-187
Deferred tax assets				
Provisions for pensions	3,701	4,219	518	-190
Other provisions and liabilities	536	1,008	472	-120
Inventories	464	571	107	66
Loss carryforwards	418	482	64	-391
Other items	73	37	-36	-7
	5,192	6,317	1,125	-642
after set-off:				
Deferred tax assets	545	615		
Deferred tax liabilities	-8,074	-10,284		
Deferred tax expense/income			-2,140	-829

Deferred tax assets and deferred tax liabilities are offset to the extent that the company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred

tax liabilities related to income taxes levied by the same taxation authority (IAS 12.74).

At the reporting date, loss carryforwards amounted to €6,473 thousand (prev. year: €4,943 thousand). Deferred tax assets of €418 thousand (prev. year: €482 thousand) were recognised for €1,194 thousand (prev. year: €1,410 thousand) of the loss carryforwards mentioned above. Beyond this, no other deferred tax assets were recognised, as the losses may not be used for the purpose of set-off with the taxable profit of other Group companies whose earnings situation is unlikely to improve so significantly in the short term that future taxable profit will be available against which the unused tax losses can be utilised.

Expiry date of tax loss carryforwards:

in € '000	2007	2006
Between 3 and 20 years	4,471	2,227
Indefinite carryforward	2,002	2,716
	6,473	4,943

[15] Earnings per share

For the calculation of basic earnings per share, the profit or loss attributable to ordinary equity holders of the parent entity shares is divided by the weighted average number of ordinary shares outstanding during the year. The method used for the purpose of calculating diluted and basic earnings per share is identical.

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

in € '000 or units of 1,000	2007	2006
Profit or loss attributable to ordinary equity holders of the parent company	14,118	16,146
Weighted average number of ordinary shares (without treasury shares) for the purpose of calculating basic earnings per share	600	599
Dilutive effects	0	0
Weighted average number of ordinary shares (without treasury shares) for the purpose of calculating diluted earnings per share	600	599
Basic earnings per share (in euro)	23.53	26.96
Diluted earnings per share (in euro)	23.53	26.96

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

Paid and proposed dividends

[16]

During the financial year a dividend, attributable to the ordinary shares of the parent company, in the amount of €7.50 per share plus a bonus of €1.50 per share in celebration of the 150th anniversary of the company in 2007 (prev. year: €7.50 per share) was declared and distributed. The total payment made in the financial year under review amounted to €5,391 thousand (prev. year: €4,492 thousand).

A dividend proposal of €8.50 per share (prev. year: €7.50 per share plus a bonus in the amount of €1.50 per share) will be submitted to the Annual General Meeting of Shareholders. The proposed total dividend per share is €8.50 (prev. year: €9.00 per share); this amount was not recognised as a liability at the reporting date. The corresponding payment would total €5,100 thousand (prev. year: €5,391 thousand).

[17] Intangible assets

December 31, 2007

in € '000	Patents and licences	Goodwill	Total
Balance at January 1, 2007 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	3,469	143	3,612
Additions	289	0	289
Amortisation during the financial year	-1,362	0	-1,362
Exchange differences	-15	0	-15
Balance at December 31, 2007	2,381	143	2,524
Balance at January 1, 2007			
Cost of purchase/conversion (gross carrying amount)	7,383	143	7,526
Accumulated amortisation and impairment losses	-3,914	0	-3,914
Carrying amount	3,469	143	3,612
Balance at December 31, 2007			
Cost of purchase/conversion (gross carrying amount)	7,575	143	7,718
Accumulated amortisation and impairment losses	-5,194	0	-5,194
Carrying amount	2,381	143	2,524

In 2007, software and licences relating to the operation of an SAP system were purchased. In accordance with the method applied in the previous year, patents and licences are amortised systematically over their economic life of 4 to 15 years by using the straight-line method. In the 2005 financial year, SIMONA AG acquired the remaining 49 per cent ownership interest in the subsidiary SIMONA FAR EAST Ltd., Hong Kong. This resulted in goodwill amounting to €143 thousand, which is not subject to amortisation on a systematic basis. As at December 31, 2007, an impairment test was conducted with regard to this asset. The recoverable amount was

determined by means of cash flow projections based on a projection period of three years and a subsequent annuity assessment. The interest rate used for the purpose of cash flow projections was 9.75 per cent. No write-downs were required.

December 31, 2006

in € '000	Patents and licences	Goodwill	Total
Balance at January 1, 2006 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	4,150	143	4,293
Additions	703	0	703
Amortisation during the financial year	-1,363	0	-1,363
Exchange differences	-21	0	-21
Balance at December 31, 2006	3,469	143	3,612
Balance at January 1, 2006			
Cost of purchase/conversion (gross carrying amount)	6,701	143	6,844
Accumulated amortisation and impairment losses	-2,551	0	-2,551
Carrying amount	4,150	143	4,293
Balance at December 31, 2006			
Cost of purchase/conversion (gross carrying amount)	7,383	143	7,526
Accumulated amortisation and impairment losses	-3,914	0	-3,914
Carrying amount	3,469	143	3,612

[18] Property, plant and equipment

December 31, 2007

in € '000	Land and buildings	Plant and equipment	Total
Balance at January 1, 2007 (taking into account accumulated amortisation and impairments)	29,060	57,972	87,032
Additions	1,721	11,172	12,893
Additions due to company acquisition	565	80	645
Disposals	-1	-372	-373
Disposals due to classification as assets held for sale	0	-2,198	-2,198
Amortisation during the financial year	-1,366	-10,077	-11,443
Effects of changes in foreign currency exchange rates	-489	-332	-821
Balance at December 31, 2007 (taking into account accumulated depreciation and impairments)	29,490	56,245	85,735
Balance at January 1, 2007			
Cost of purchase or conversion	51,706	182,199	233,905
Accumulated depreciation and impairments	-22,646	-124,227	-146,873
Carrying amount	29,060	57,972	87,032
Balance at December 31, 2007			
Cost of purchase or conversion	53,487	179,591	233,078
Accumulated depreciation and impairments	-23,997	-123,346	-147,343
Carrying amount	29,490	56,244	85,735

December 31, 2006

in € '000	Land and buildings	Plant and equipment	Total
Balance at January 1, 2006 (taking into account accumulated amortisation and impairments)	25,601	55,643	81,244
Additions	4,841	10,583	15,424
Additions due to company acquisition	0	2,723	2,723
Disposals	0	-437	-437
Amortisation during the financial year	-1,382	-10,421	-11,803
Effects of changes in foreign currency exchange rates	0	-119	-119
Balance at December 31, 2006 (taking into account accumulated depreciation and impairments)	29,060	57,972	87,032
Balance at January 1, 2006			
Cost of purchase or conversion	46,862	170,488	217,350
Accumulated depreciation and impairments	-21,261	-114,845	-136,106
Carrying amount	25,601	55,643	81,244
Balance at December 31, 2006			
Cost of purchase or conversion	51,706	182,199	233,905
Accumulated depreciation and impairments	-22,646	-124,227	-146,873
Carrying amount	29,060	57,972	87,032

The useful life of assets was estimated on the following basis:

	2007	2006
Buildings	20 – 40 years	20 – 40 years
Plant and equipment	5 – 20 years	5 – 20 years

Other operating income includes gains from the disposal of property, plant and equipment amounting to € 50 thousand (prev. year: € 68 thousand).

[19] Inventories

in € '000	31/12/07	31/12/06
Raw material and consumables used	15,645	16,406
Finished goods	40,034	35,221
Inventories	55,679	51,627

Inventory impairments recognised as expense amounted to €2,483 thousand (prev. year: €2,282 thousand). The cost of materials includes expenses relating to raw materials and consumables in the amount of €174,745 thousand (prev. year: €149,577 thousand).

[20] Trade receivables

Trade receivables are not interest-bearing and are generally due within 30 to 90 days.

in € '000	31/12/07	31/12/06
Carrying amount	47,183	47,334
of which neither past due nor impaired at the reporting date	39,035	40,528
of which not impaired at the reporting date and past due within the following time ranges		
• up to 30 days	4,612	3,862
• between 31 and 60 days	2,596	1,673
• between 61 and 90 days	558	321
• between 91 and 120 days	126	504
• more than 120 days	256	446

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

The changes to valuation allowances for trade receivables are outlined below:

in € '000	31/12/07	31/12/06
Balance of specific allowances at January 1	363	542
Exchange differences	-8	-3
Allocated	+184	+99
Utilised	-29	-106
Reversed	-44	-169
Balance of specific allowances at December 31	466	363

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

in € '000	2007	2006
Expenses attributable to the derecognition of trade receivables	209	156
Income attributable to amounts received in connection with derecognised trade receivables	54	92

Other assets and prepaid expenses

[21]

in € '000	31/12/07	31/12/06
Other receivables	7,933	4,236
Receivables from other long-term investees and investors	390	540
Prepaid expenses	868	127
Other assets and prepaid expenses	9,191	4,903

Other receivables include reimbursement rights attributable to value-added tax, bonus receivables from suppliers as well as a reimbursement right due within one year in respect of corporation tax credits associated with the Act Governing Tax Measures Accompanying the Introduction of the European Company and for the Change of other Tax Regulations (SEStEG). At the reporting date, other assets were neither impaired nor past due.

[22] Cash

in € '000	31/12/07	31/12/06
Bank balances and cash on hand	22,875	25,151
Cash	22,875	25,151

Bank balances bear interest on the basis of floating interest rates applicable to balances payable on demand.

At December 31, 2007, the Group had undrawn borrowing facilities of €11,355 thousand (prev. year: €12,239 thousand).

[23] Equity

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

Issued capital

As at December 31, 2007, the share capital of SIMONA AG was divided into 600,000 no-par-value shares. These shares are classified as ordinary bearer shares. Each no-par-value share has a notional interest of €25.83 in the company's share capital. The ordinary shares have been issued and fully paid in. In the 2007 financial year, SIMONA AG disposed of its treasury shares (1,000 no-par-value shares) in full. The effects of this transaction were accounted for directly in equity.

in € '000	31/12/07	31/12/06
Share capital	15,500	15,500
Treasury shares	0	(26)
Issued capital	15,500	15,474

Other reserves

in € '000	31/12/07	31/12/06
Währungseffekte	-1,499	-223
Sonstige Rücklagen	-1,499	-223

Other reserves include currency translation effects attributable to exchange differences occurring upon translation of the financial statements of foreign subsidiaries.

Financial liabilities

[24]

in € '000	Maturity date	31/12/07	31/12/06
Current liabilities			
Pro-rata loan of USD 3 million (principal repayments due by 31/12/08)	09/2008	227	253
Liabilities from deferred interest attributable to USD loans (current liabilities)	03/2008	77	92
Bank overdrafts on demand		1	8
		305	353

in € '000	Maturity date	31/12/07	31/12/06
Non-current liabilities			
Loan of USD 5 million (nominal amount)	09/2010	3,403	3,796
Pro-rata loan of USD 3 million (principal repayments due after 31/12/08)	09/2009 – 09/2015	1,588	2,025
		4,991	5,821

[25] Pensions

The majority of employees within the SIMONA Group are entitled to post-employment benefits attributable to pension plan agreements. The aforementioned plans are structured as final salary pension plans in the case of both personnel employed on the basis of collective wage agreements and managerial staff, including members and former members of the Management Board. With the exception of payments to SIMONA Sozialwerk GmbH (cf. Note 26), no contributions are made to funds.

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

Expenses included in staff costs for retirement benefits

in € '000	2007	2006
Current service cost	1,059	1,021
Interest cost	1,452	1,387
Cost of retirement benefits	2,511	2,408

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

in € '000	31/12/07	31/12/06
Obligation at beginning of reporting period	35,485	34,466
Current service cost	1,059	1,021
Interest cost	1,452	1,387
Benefits paid	-1,475	-1,389
Obligations at end of reporting period	36,521	35,485
– of which non-current liability	35,025	34,010
– of which current liability	1,496	1,475

The Group anticipates expenses of €2,450 thousand in connection with defined benefit pension plans for the 2008 financial year.

Actuarial gains and losses are offset in profit or loss to the extent that they exceed the 10 per cent corridor. As from the subsequent period, the portion of actuarial gains and losses exceeding this corridor is offset over the future average remaining working life of the employees. No actuarial gains or losses were allocated in the 2007 and 2006 financial years.

Liabilities attributable to defined benefit obligations

in € '000	31/12/07	31/12/06
Present value of defined benefit obligation	33,598	37,123
Unrecognised actuarial gains/losses attributable to the obligation	-2,923	1,638
Liabilities attributable to defined benefit obligations	36,521	35,485

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

	31/12/07	31/12/06
Discount rate	4.75 %	4.0 %
Salary increase	2.0 %	2.0 %
Pension adjustments	1.5 %	1.5 %
Mortality (mortality tables published by K. Heubeck)	2005 G	2005 G

Company welfare institutions

[26]

SIMONA Sozialwerk GmbH is structured as a long-term employee benefit fund within the meaning of IAS 19.7. Under the Articles of Association, the entity operates solely for the purpose of ensuring that former employ-

ees of SIMONA AG as well as their dependants receive retirement benefits. The beneficiaries of pensions are entitled to all the assets belonging to the entity as well as all income derived from these assets while the entity is in existence as well as in the case of liquidation or insolvency of the entity. SIMONA AG has no access rights to assets held by SIMONA Sozialwerk GmbH. In the event of liquidation of the entity, the entity's assets are to be allocated to the recipients of benefits or are to be secured for the purpose of providing future benefits for said recipients. Thus, even in the event that SIMONA AG becomes insolvent, the creditors identified in connection with insolvency have no rights in respect of the assets of SIMONA Sozialwerk GmbH.

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

in € '000	31/12/07	31/12/06
Present value of defined benefit plans at the beginning of the year	22,366	20,095
Current service cost	1,584	1,512
Interest cost	1,193	1,112
Recognised actuarial losses	229	248
Benefits paid	-641	-601
Present value of defined benefit plans at the end of the year	24,731	22,366
Market value of fund assets at the beginning of the year	37,400	32,795
Additions/disposals of financial assets	-641	-601
Return on fund assets	3,517	5,206
Market value of fund assets at the end of the year	40,276	37,400
Surplus plan assets	15,545	15,034

The surplus relating to plan assets is not accounted for in the consolidated financial statements of SIMONA

AG, as SIMONA AG has no control over these assets. In accordance with the provisions set out in IAS 19.7, the plan assets are available to be used only to pay or fund employee benefits.

The fair value of the plan assets includes shares in SIMONA AG with a fair value of €20,166 thousand (prev. year: €18,000 thousand) as at December 31, 2007.

Assets (liabilities) attributable to defined benefit obligations

in € '000	31/12/07	31/12/06
Defined benefit obligation	-27,381	-30,184
Fair value of plan assets	40,276	37,400
Overfunded	12,895	7,216
Unrecognised actuarial losses attributable to the obligation	2,650	7,818
Assets attributable to defined benefit obligations	15,545	15,034

Other provisions

[25]

in € '000	Personnel-related obligations	Guarant./warranties	Other	Total
Balance at January 1, 2007	4,001	3,806	525	8,332
Allocated	1,063	1,387	980	3,430
Reclassified	-155	0	0	-155
Used	1,112	817	0	1,929
Balance at December 31, 2007	3,797	4,376	1,505	9,678
Short-term provisions	998	954	1,505	3,457
Long-term provisions	2,799	3,422	0	6,221
Balance at December 31, 2007	3,797	4,376	1,505	9,678
Short-term provisions	1,105	814	525	2,444
Long-term provisions	2,896	2,992	0	5,888
Balance at December 31, 2006	4,001	3,806	525	8,332

Personnel-related provisions encompass obligations in connection with agreements regarding part-time employment of staff approaching retirement, provisions relating to anniversaries as well as obligations from flexitime surpluses accumulated by employees. With the exception of provisions for flexitime surpluses, personnel-related provisions are measured on the basis of actuarial data. Provisions for flexitime surpluses are measured by discounting the estimated staff costs over a period calculated as the difference between the average age and the projected date of retirement of those affected.

At the reporting date, obligations in connection with agreements regarding part-time employment of staff approaching retirement amounted to €2,859 thousand (prev. year: €2,940 thousand). This item is composed of obligations for performance-related arrears, additional compensation and severance payments. In the 2007 financial year, payments amounted to €790 thousand (prev. year: €797 thousand). As at the reporting date, an amount of €155 thousand was reclassified as “Liabilities Related Directly to Assets Held for Sale”.

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

As regards regularly occurring warranty cases, a provision is calculated on the basis of experience over what is adjudged to be a probable average claim period of 5 years. For the purpose of measuring the provision, the expenses actually incurred in connection with customer credits/refunds from warranty obligations as well as the thus resulting direct costs of processing a complaint are analysed in detail. Within this context, the weighted average warranty expense of the past 3 years is used for calculation purposes.

The portion of warranty provisions calculated in respect of individual cases occurring on an irregular basis is recognised only when the utilisation of the provision is considered likely, a payment relating thereto is deemed probable and a reliable estimate can be made.

The portion of the warranty provision whose utilisation is not due within one year after the reporting date is discounted. The effect attributable to compounding of provisions was €151 thousand (prev. year: €101 thousand) and was accounted for in profit or loss.

Cash flow statement

[28]

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

As at December 31, cash and cash equivalents composed of securities, cash and current financial liabilities were as follows:

in € '000	31/12/07	31/12/06
Cash	22,875	25,151
Current financial liabilities (excluding liabilities attributable to loans)	-79	-100
	22,796	25,051

The effects of changes to cash and cash equivalents attributable to exchange rates were minus €603 thousand (prev. year: minus €594 thousand) at Group level.

Cash flows from investing and financing activities are accounted for directly, i.e. on a payments basis. Cash flows from operating activities are determined indirectly on the basis of earnings before taxes, i.e. via changes to the Group balance sheet, having accounted for the effects of currency translation.

Other Non-cash expenses and income reported in the cash flows from operating activities relate mainly to changes to minority interests, changes to other provisions as well as cash-related currency effects from additions to and disposals of assets.

[29] Related-party disclosures

Entities and persons with control over the SIMONA Group, as well as associated entities and persons, including close members of the family and intermediate entities, with significant influence over the financial and operating policies of the SIMONA Group are to be disclosed in accordance with IAS 24.

Management Board

- Wolfgang Moyses,
Chairman of the Management Board, Kirn
- Jochen Feldmann, Kirn
- Dirk Möller, Kirn

Supervisory Board

- Hans-Wilhelm Voss, Chairman of the Supervisory Board
- Hans-Werner Marx,
Deputy Chairman of the Supervisory Board
- Roland Fobel, Tax Consultant
- Dr. Roland Reber, Managing Director of Ensinger GmbH
- Bernd Meurer, Employee Representative
- Karl-Ernst Schaab, Employee Representative

According to a notification received on August 26, 2007, pursuant to Section 26(1) of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG), Mrs. Anita Bürkle holds an 18.66 per cent interest in the shares. Thus, her holding remains below the threshold of 20 per cent, which is specified as the point from which significant

influence over the financial and operating policies of the SIMONA Group exists.

Dirk Möller is a shareholder (11.64 per cent of shares in SIMONA AG) and a member of the Management Board of SIMONA AG. Additionally, Mr. Möller performs executive or controlling duties within the individual companies of the SIMONA Group.

- SIMONA Plast-Technik s.r.o., Litvinov, (1),
- SIMONA AMERICA Inc., Hazleton, (2),
- SIMONA FAR EAST Ltd., Hong Kong, (2),
- SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai, (2),
- SIMONA ASIA Ltd., Hong Kong, (2),
- SIMONA ENGINEERING PLASTICS Co. Ltd., Jiangmen, (2),
- Georg Fischer SIMONA Fluoropolymer Products GmbH, Ettenheim, (3).

The duties as an executive or controlling body are as follows:

(1) Managing Director/General Manager, (2) Member of the Board of Directors, (3) Member of the Advisory Board

In the period under review, SIMONA AG and the entities specified above sold plastic products to each other and provided services on arm's length terms.

Dr. Roland Reber, member of the Supervisory Board of SIMONA AG, is also the Managing Director of Ensinger GmbH. The two entities maintain business relations with each other on arm's length terms.

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

Compensation of members of the Management Board and Supervisory Board

Total Management Board compensation amounted to €1,081 thousand in the period under review (prev. year: €1,015 thousand). It comprises €691 thousand (prev. year: €645 thousand) in fixed-level compensation and €390 thousand (prev. year: €370 thousand) in bonus payments. The company does not grant loans to members of the Management Board.

Post-employment benefits of €10,073 thousand (prev. year: €10,913 thousand) have been provisioned for active members of the Management Board, former members of the Management Board and their surviving dependants. Compensation of former Management Board members and their surviving dependants amounted to €782 thousand (prev. year: €778 thousand).

Supervisory Board compensation at Group level totalled €128 thousand in the 2007 financial year (prev. year: €124 thousand). Supervisory Board compensation encompasses no variable components.

[30] Financial risk management objectives and policies

Principles of risk management

Some of the assets, liabilities and planned transactions of SIMONA AG are exposed to risks associated with changes to foreign exchange rates and interest rates.

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

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

Interest-rate risk

The financial instruments exposed to interest-rate risk include short-term bank overdrafts as well as floating-rate US dollar loans. In the 2007 financial year, the interest-rate risk associated with these instruments was mitigated entirely by means of interest rate derivatives (interest rate swaps), as was the case in the previous financial year. In accordance with IFRS 7, interest-rate risks are addressed in the form of sensitivity analyses. These present the effects of changes in market interest rates on interest income, interest expense and items in the balance sheet. As the interest rate derivatives (interest rate swaps) are not part of a hedging relationship as described in IAS 39, changes are recognised directly in finance income or cost.

Had the market interest rate of the US dollar been 100 basis points higher or lower at December 31, 2007, the net finance result would have been €146 thousand higher and €153 thousand lower respectively.

Had the market interest rate of the US dollar been 100 basis points higher or lower at December 31, 2006, the net finance result would have been €202 thousand higher and €213 thousand lower respectively.

Currency risk

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

Within the area of financing activities, the Group is exposed to foreign currency risks relating to two US dollar loans granted for the purpose of financing the US subsidiary. The currency risk remains unhedged due to the

fact that the loan is denominated in the same currency as the functional currency of the US subsidiary.

At an operating level, the respective entities within the Group conduct the majority of their business transactions in their functional currency. The parent company is responsible almost solely for managing transactions in foreign currencies and hedges these activities within specified parameters as part of treasury management. Foreign exchange forward contracts and currency options are used for the purpose of hedging currency risks associated with operating activities. Within this context, payments up to a maximum of one year in advance are subject to hedging. As a result of these hedging activities, SIMONA AG was not exposed to significant currency risks as at the reporting date.

IFRS 7 requires entities to present risk on the basis of sensitivity analyses. These analyses show how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at the end of the reporting date. Exchange rate movements may occur in the case of primary financial instruments that are beyond the hedged parameters or that are hedged by means of financial derivatives in the form of forward foreign exchange transactions or currency options.

If, as at December 31, 2007, the euro had appreciated (depreciated) by 10 per cent against all other currencies, earnings before taxes would have been €278 thousand lower (€525 thousand higher).

The hypothetical effect on profit of minus €278 thousand [plus €525 thousand] is attributable to the following sensitivity to exchange rates:

EUR/USD	(€ 247 thsd)	[€ 488 thsd]
EUR/CHF	€ 66 thsd	[(€ 82 thsd)]
EUR/GBP	€ 25 thsd	[(€ 31 thsd)]
EUR/CZK	(€ 142 thsd)	[€ 174 thsd]
EUR/PLN	€ 20 thsd	[(€ 17 thsd)]

If, as at December 31, 2006, the euro had appreciated (depreciated) by 10 per cent against all other currencies, earnings before taxes would have been €266 thousand lower (€325 thousand higher).

The hypothetical effect on profit of minus €266 thousand [plus €325 thousand] is attributable to the following sensitivity to exchange rates:

EUR/USD	(€ 178 thsd)	[€ 218 thsd]
EUR/CHF	(€ 82 thsd)	[€ 100 thsd]
EUR/GBP	€ 6 thsd	[(€ 8 thsd)]
EUR/CZK	(€ 12 thsd)	[€ 15 thsd]

Credit risk

SIMONA AG is exposed to credit risk as part of its operating activities. Financial assets outstanding – principally trade receivables – are monitored on a decentralised basis, i.e. by each legally separate company within the Group. Depending on the credit rating of the customer, receivables are subject to the risk of default, which is addressed with the help of trade credit insurance. Receivables exposed to probable credit risk are identified and monitored on a regular basis; credit risk relating to such items is accounted for by means of specific allowances on an item-by-item basis. The maximum potential credit risk is limited to the net carrying amount (less value-added tax) of the financial assets.

Liquidity risk

In order to ensure solvency and maintain financial flexibility, the Group continuously monitors liquidity levels associated with operating activities as well as anticipated payments attributable to commitments arising from capital investment orders of the respective companies. Within this context, liquidity is identified and assessed with a separate tool.

Alongside cash amounting to €22.8 million, the SIMONA Group has undrawn borrowing facilities of €11.4 million.

The Group's objective is to maintain a well-judged balance between ongoing coverage of cash requirements and sustained flexibility through the utilisation of bank overdrafts and loans.

As at December 31, 2007, the maturity structures of payment obligations relating to the financial liabilities of the Group were as follows:

in € '000	Up to 1 year	2-5 years	More than 5 years	Total
Financial liabilities	537	5,024	773	6,334
Trade payables	11,978	0	0	11,978
Other liabilities	11,787	121	137	12,045
Financial liabilities	24,302	5,145	910	30,357

As at December 31, 2006, the maturity structures of payment obligations relating to the financial liabilities of the Group were as follows:

in € '000	Up to 1 year	2-5 years	More than 5 years	Total
Financial liabilities	617	5,882	1,215	7,714
Trade payables	10,536	0	0	10,536
Other liabilities	12,818	144	155	13,117
Financial liabilities	23,971	6,026	1,370	31,367

The net amount due in 2008 from forward foreign exchange transactions is €229 thousand (prev. year: net payment obligation of €36 thousand).

The market valuation of interest rate swaps resulted in a net payment obligation of €174 thousand (prev. year: €13 thousand).

Based on market data, the value of the currency options is considered to be positive, resulting in a net amount due of €104 thousand (prev. year: €0).

Capital management

The primary objective of capital management within the Group is to ensure a high credit rating and maintain a healthy equity ratio.

The Group manages its capital structure and makes adjustments in response to changing economic conditions where such action is deemed appropriate. For the purpose of maintaining or realigning the capital structure, the Group can make adjustments to shareholder dividend payments. As at December 31, 2007, and December 31, 2006, no changes were implemented with regard to SIMONA's goals, guidelines and policies.

[31] Finanzinstrumente

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

		Carrying amount		Fair value	
in € '000		31/12/07	31/12/06	31/12/07	31/12/06
Financial assets					
Cash and short-term deposits	LaR	22,875	25,151	22,875	25,151
Foreign exchange forward contracts	HfT	234	52	234	52
Interest-rate swap	HfT	0	63	0	63
Currency options	HfT	104	0	104	0
Trade receivables	LaR	47,449	47,449	47,609	47,609
Financial liabilities					
Bank overdrafts	FLAC	-2	-8	-2	-8
Other current financial liabilities	FLAC	-77	-92	-77	-92
Loans	FLAC	-5,217	-6,074	-5,217	-6,074
Foreign exchange forward contracts	HfT	-5	-88	-5	-88
Interest-rate swap	HfT	-174	-76	-174	-76
Trade payables	FLAC	11,978	11,978	10,536	10,536

(LaR = Loans and Receivables, HfT = Held for Trading, FLAC = Financial Liabilities Measured at Amortised Cost)

The fair value of derivative financial instruments and loans was determined by discounting the expected future cash flows on the basis of the prevailing market rate of interest. Within this context, the calculation takes into account that the loans are subject to floating interest rates on the basis of standard market terms and conditions.

The following table presents the net gains and losses from subsequent measurement of financial instruments recognised in the balance sheet, listed according to the respective measurement categories:

2007: Net gains and losses by measurement category

in € '000	Interest	Fair Value	Valuation		Total
			Currency translation	allowance/Disposal	
LaR	763	0	-852	-258	-347
HfT	0	10	187	0	197
FLAC	-345	0	0	0	-345
Total	418	10	-665	-258	-495

2006: Net gains and losses by measurement category

in € '000	Interest	Fair Value	Valuation		Total
			Currency translation	allowance/Disposal	
LaR	780	0	-58	115	837
HfT	0	92	-106	0	-14
FLAC	-341	0	0	0	-341
Total	439	92	-164	115	482

Hedging transactions

a) Cash flow hedging instruments

At December 31, 2007, the Group held forward currency contracts used for the purpose of hedging expected sales to customers. In this case, the Group has given firm commitments. The forward currency contracts are deployed in order to hedge foreign currency risk associated with firm commitments. The terms and conditions of these contracts are outlined in the following table:

Forward contracts to hedge future expected sales

	in '000	Maturity date	Exchange rates
Pound Sterling	3,300	01.01-05/2008	0.6802 - 0.7275
Swiss Francs	2,400	01.01-05/2008	1.6359 - 1.6650
Polish Zloty	5,700	01.01-05/2008	3.6385 - 3.8041

At December 31, 2006, the Group held forward currency contracts used for the purpose of hedging expected sales to customers. In this case, the Group has given

firm commitments. The forward currency contracts are deployed in order to hedge foreign currency risk associated with firm commitments. The terms and conditions of these contracts are outlined in the following table:

Forward contracts to hedge future expected sales

	in '000	Maturity date	Exchange rates
Pound Sterling	3,500	01.01 – 06/2007	0.6747 – 0.6837
Swiss Francs	400	01/2007	1.5565
Czech Koruna	19,500	01.01 – 06/2007	28.080 – 28.410
US Dollar	800	01.01 – 04/2007	1.2247 – 1.2300

b) Fair value hedging instruments

At the reporting date the Group had two interest-rate swaps used for the purpose of hedging risk arising from changes to the fair value of floating-rate US dollar loans. The maturities are based on the underlying loans.

As at December 31, 2007, the Group also held currency options deployed for the purpose of hedging receivables denominated in a foreign currency. The terms and conditions of these contracts are outlined in the following table:

Foreign currency options for fair value hedging

	in '000	Maturity date	Exchange rates
US-Dollar	4,500	05/2008	1.4400

Other information

[32]

Subsidiaries

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

Company	Ownership interest in %
SIMONA Beteiligungs-GmbH, Kirn, Germany	100.0
SIMONA UK Ltd., Stafford, United Kingdom	100.0
SIMONA S.A., Domont, France	96.6
SIMONA S.R.L., Vimodrone, Italy	98.0
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain	100.0
SIMONA POLSKA, Sp. z o.o., Wrocław/Poland	100.0
SIMONA-PLASTICS CZ s.r.o., Prague, Czech Republic	100.0
SIMONA FAR EAST Limited, Hong Kong, China	100.0
SIMONA AMERICA Inc., Hazleton, USA	100.0
SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai, China	100.0
SIMONA ASIA Limited, Hong Kong, China	100.0
SIMONA ENGINEERING PLASTICS Co. Ltd., Jiangmen, China	100.0
64 NORTH CONAHAN DRIVE HOLDING LLC, Hazleton, USA	100.0
DEHOPLAST Polska, Sp. z o.o., Kwidzyn, Poland	51.0
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic*	100.0
Georg Fischer SIMONA Fluoropolymer Products GmbH, Ettenheim, Germany**	50.0

* The entity commenced operations in the 2007 financial year and has thus been included for the first time in the consolidated financial statements for the 2007 financial year.

** Georg Fischer SIMONA Fluoropolymer Products GmbH, Ettenheim, Germany, is a joint venture under joint control.

Financial assets

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

	Ownership Interest	Equity 31/12/06	Profit/loss 2006
Company	%	€ '000	€ '000
SIMONA Sozialwerk GmbH, Kirn Germany	50.0	13,925	2,338
SIMONA Vermögensverwaltungs- gesellschaft der Belegschaft mbH, Kirn, Germany	50.0	6,319	4,259

Owing to its classification as a pension fund, SIMONA Sozialwerk GmbH is not included in the consolidated financial statements, as specified in IAS 19.7. SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH is not included in the consolidated financial statements because the assets of this entity may be utilised solely for funding purposes in respect of SIMONA Sozialwerk GmbH and thus remain outside SIMONA AG's scope of economic control.

Average number of staff employed during the financial year:

	2007		2006	
	Group	JV*	Group	JV*
Industrial staff	748	19	627	17
Clerical staff	418	1	419	2
	1,166	20	1,046	19
School-leaver trainees (apprentices)	58	0	55	0
Total number of employees	1,224	20	1,101	19

* Employees of joint venture Georg Fischer SIMONA Fluoropolymer Products GmbH, Ettenheim

Contingent liabilities and other financial commitments

No provisions were recognised for the following contingent liabilities, carried at their nominal amounts, because the probability of the occurrence of risk is considered to be low.

Liability risk in € '000	31/12/07	31/12/06
Rental guarantees	23	26

Other financial commitments in € '000	31/12/07	31/12/06
Commitments from rental and lease agreements		
Due within:		
1 year	1,660	1,945
2 – 5 years	3,495	4,268
after 5 years	318	815
	5,473	7,028

Purchase commitments arising from investment projects in € '000	31/12/07	31/12/06
	10,461	3,662

Declaration of Conformity regarding the Corporate Governance Code

In accordance with the provisions set out in Section 161 AktG, SIMONA AG – as the only exchange-listed company within the Group – filed a Declaration of Conformity for 2007 on March 12, 2008, and made the aforementioned Declaration permanently available to shareholders.

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

As at June 29, 2007, (date of the Annual General Meeting of Shareholders) the members of the Management Board reported a total holding of 69,826 shares; this corresponds to approx. 11.64 per cent of the share capital of SIMONA AG.

The members of the Supervisory Board reported holdings of 2,800 shares, which corresponds to 0.47 per cent of 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, the company was notified of one such transaction.

Audit fees

Professional fees accounted for as expense in connection with the year-end financial audit amounted to €232 thousand, while fees attributable to tax consulting services amounted to €29 thousand.

Events after the reporting period

On January 30, 2008, SIMONA disposed of its 50 per cent interest in Georg Fischer SIMONA Fluoropolymer Products GmbH, Ettenheim, Germany, effective from January 1, 2008.

Consolidated Statement of Cash Flows of SIMONA AG

in € '000	Notes	01/01/ – 31/12/07	01/01/ – 31/12/06
Profit before taxation		19,833	15,125
Income taxes paid	[14]	–8,057	–5,625
Interest received and paid		–110	–267
Amortisation of intangible assets and depreciation of property, plant and equipment	[17, 18]	12,805	13,167
Other non-cash expenses and income	[28]	2,051	–374
Disposal group classified as held for sale	[7]	–4,082	0
Change in pensions	[25]	1,036	1,019
Result from disposal of non-current assets	[18]	316	111
Change in inventories	[19]	–4,047	–3,321
Change in trade receivables	[20]	160	–7,045
Change in other assets	[21]	–3,684	2,306
Reclassification of liabilities in connection with assets held for sale	[7]	1,129	0
Change in liabilities and other provisions	[27]	–246	1,479
Net cash from operating activities		17,104	16,575
Investments in intangible assets and property, plant and equipment	[17, 18]	–13,181	–16,127
Payments for acquisition of subsidiaries (after deduction of acquired cash)	[6, 18]	–650	–4,976
Proceeds from disposal of non-current assets	[18]	59	321
Net cash used in investing activities		–13,772	–20,782
Proceeds from financial liabilities	[24]	0	2,430
Repayment of financial liabilities	[24]	–254	0
Proceeds from disposal of treasury shares		375	0
Payment of prior-year dividend	[16]	–5,391	–4,492
Interest received		763	830
Interest paid and other expenses		–477	–563
Net cash used in financing activities		–4,984	–1,795
Effect of foreign exchange rate changes on liquidity	[28]	–603	–594
Change in cash and cash equivalents	[28]	–2,255	–6,596
Cash and cash equivalents at January 1		25,051	31,647
Cash and cash equivalents at December 31		22,796	25,051
Change in cash and cash equivalents	[28]	–2,255	–6,596

Consolidated Statement of Changes in Equity of SIMONA AG

	Equity attributable to owners of the parent											Minority interests	Total equity
	Issued capital			Capital reserves	Revenue reserves						Other reserves		
	Share capital	Treasury shares	Total		Legal reserves	Statutory reserves	Other revenue reserves	Treasury shares	Accumulated profit for the period	Total	Currency translation differences		
in € '000													
Balance at 01/01/06	15,500	-26	15,474	15,032	397	2,847	60,635	-107	33,839	97,611	354	120	128,591
Foreign currency translation	0	0	0	0	0	0	0	0	55	55	-577	3	-519
Amount recognised directly in equity	0	0	0	0	0	0	0	0	55	55	-577	3	-519
Profit for the year	0	0	0	0	0	0	0	0	16,146	16,146	0	20	16,166
Appropriations to other revenue reserves	0	0	0	0	0	0	5,495	0	-5,495	0	0	0	0
Dividend paid	0	0	0	0	0	0	0	0	-4,492	-4,492	0	0	-4,492
Addition due to company acquisition	0	0	0	0	0	0	0	0	0	0	0	61	61
Balance at 31/12/06	15,500	-26	15,474	15,032	397	2,847	66,130	-107	40,053	109,320	-223	204	139,807
Balance at 01/01/07	15,500	-26	15,474	15,032	397	2,847	66,130	-107	40,053	109,320	-223	204	139,807
Foreign currency translation	0	0	0	0	0	0	0	0	679	679	-1,276	-4	-601
Amount recognised directly in equity	0	0	0	0	0	0	0	0	679	679	-1,276	-4	-601
Profit for the year	0	0	0	0	0	0	0	0	14,118	14,118	0	27	14,145
Appropriations to other revenue reserves	0	0	0	0	0	0	7,457	0	-7,457	0	0	0	0
Dividend paid (incl. bonus payment for 150th anniversary)	0	0	0	0	0	0	0	0	-5,391	-5,391	0	0	-5,391
Disposal of treasury shares	0	26	26	242	0	0	0	107	0	107	0	0	375
Balance at 31/12/07	15,500	0	15,500	15,274	397	2,847	73,587	0	42,002	118,833	-1,499	227	148,335

Notes to SIMONA AG Shareholdings

Company	Ownership Interest	Equity	Profit/loss 2007
	%	€ '000	€ '000
Indirectly			
SIMONA S.A., Domont/France	96.6	3,585	346
SIMONA S.R.L., Vimodrone/Italy	98.0	951	83
SIMONA U.K. Ltd., Stafford/United Kingdom	100.0	39	515
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona/Spain	100.0	-18	91
SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai/China	100.0	376	13
SIMONA ENGINEERING PLASTICS Co. Ltd., Jiangmen/China	100.0	3,542	-61
64 North Conahan Drive Holding LLC, Hazleton/USA	100.0	2,482	-17
Directly			
SIMONA-PLASTICS CZ, s.r.o., Prague/Czech Republic	100.0	189	16
SIMONA FAR EAST Ltd., Hong Kong/China	100.0	730	8
SIMONA POLSKA Sp. z o.o., Wrocław/Poland	100.0	764	289
SIMONA Sozialwerk GmbH, Kirn (2006)	50.0	13,925	2,338
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn (2006)	50.0	6,319	4,259
SIMONA Beteiligungs-GmbH, Kirn	100.0	1,834	0
SIMONA AMERICA Inc., Hazleton/USA	100.0	4,128	-2,668
SIMONA Plast-Technik s.r.o., Litvinov/Czech Republic	100.0	364	-13
SIMONA ASIA Ltd., Hong Kong/China	100.0	3,353	-86
Georg Fischer SIMONA Fluoropolymer Products GmbH, Ettenheim	50.0	4,653	313
DEHOPLAST Polska Sp. z o.o., Kwidzyn/Poland	51.0	175	26

Auditor's Report

We have issued the following audit opinion relating to the consolidated financial statements and Group management report:

“We have audited the consolidated financial statements prepared by SIMONA AG, Kirn, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, including segment reporting, together with the Group management report for the financial year from 1 January to 31 December 2007. The legal representatives of the Company are responsible for the preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as adopted by the EU, as well as in compliance with the additional provisions set out in Section 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB). Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code and in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of

the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit also includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles applied and the significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.”

Eschborn/Frankfurt am Main, 1 April 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Klein
German Public Auditor

Mühleck
German Public Auditor

Other Information

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

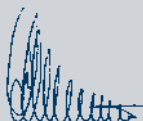
“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements of the SIMONA Group give a true and fair view of the assets, liabilities, financial position and profit or loss of the SIMONA Group, and the management report of the Group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

SIMONA AG

Kirn, 1 April 2008



Wolfgang Moyses, CEO
and Chairman of the
Management Board



Dirk Möller
Member of the
Management Board



Jochen Feldmann
Member of the
Management Board



Financial Statements 2007 SIMONA AG

(Extract)

The annual financial statements of SIMONA AG were prepared in accordance with national regulations (German Commercial Code - HGB). Due to the rounding of figures to the next highest or lowest value in thousands of euros, rounding differences may occur in the balance sheet and income statement.

The full annual financial statements of SIMONA AG can be downloaded at www.simona.de or requested from the Investor Relations department (phone +49 (0) 67 52 14-383, e-mail ir@simona.de).

Balance Sheet of SIMONA AG as at December 31, 2007

Assets

€ '000

31/12/2007 31/12/2006

A. Non-current assets		
I. Intangible assets		
Industrial property rights and similar rights	1,537	2,737
II. Property, plant and equipment		
1. Land, land rights and buildings	17,372	17,861
2. Technical equipment and machinery	18,208	19,918
3. Other equipment, operating and office equipment	4,656	4,629
4. Prepayments and assets under construction	1,344	1,555
	41,580	43,963
III. Financial assets		
1. Investments in affiliated companies	15,801	10,179
2. Other long-term equity investments	2,023	2,023
	17,824	12,202
	60,941	58,902
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	11,438	12,560
2. Finished goods	23,406	20,490
	34,844	33,050
II. Receivables and other assets		
1. Trade receivables	23,452	23,387
2. Receivables from affiliated companies	28,790	23,911
3. Receivables from investors	1,008	1,078
4. Other current assets	11,940	9,566
	65,190	57,942
III. Securities		
1. Treasury shares	0	133
	0	133
IV. Cash in hand, bank balances and cheques	17,599	21,868
C. Prepaid expenses	629	31
	179,203	171,926

Equity and liabilities

€ '000

31/12/2007

31/12/2006

A. Equity		
I. Subscribed capital	15,500	15,500
II. Capital reserves	15,032	15,032
III. Revenue reserves		
1. Legal reserve	397	397
2. Reserve for treasury shares	0	133
3. Statutory reserve	2,847	2,847
4. Other revenue reserves	80,449	73,454
	83,693	76,831
IV. Unappropriated surplus	13,780	12,307
	128,005	119,670
B. Special tax-allowable reserve	0	229
C. Provisions		
1. Provisions for pensions	23,537	24,205
2. Provisions for taxes	550	2,222
3. Other provisions	14,330	12,788
	38,417	39,215
D. Liabilities		
1. Bank borrowings	0	3
2. Trade payables	8,073	7,624
3. Liabilities to affiliated companies	0	3
4. Other liabilities	4,708	5,182
– of which taxes €1,039 (prev. year: €983 thousand)		
– of which relating to social security €667 thousand (prev. year: €890 thousand)		
	12,781	12,812
	179,203	171,926
E. Contingencies	5,241	6,100

Income Statement of SIMONA AG 2007

in € '000	01/01/ – 31/12/2007	01/01/ – 31/12/2006
1. Revenue	265,745	227,714
2. Increase or decrease in finished goods inventories	2,916	1,104
3. Other operating income	4,910	3,198
	273,571	232,016
4. Cost of materials		
a. Cost of raw materials, consumables and supplies as well as purchased merchandise	158,648	133,137
b. Cost of purchased services	370	154
	159,018	133,291
5. Staff costs		
a. Wages and salaries	38,852	35,263
b. Social security, post-employment and other employee benefit costs – of which in respect of old age pensions € 876 thousand (prev. year: € 2,207 thousand)	8,794	9,478
	47,646	44,741
6. Depreciation, amortisation and write-downs of property, plant and equipment as well as intangible assets	12,486	9,599
7. Other operating expenses	34,503	30,896
8. Income from long-term equity investments – of which from affiliated companies € 387 thousand (prev. year: € 128 thousand)	387	128
9. Other interest and similar income – of which from affiliated companies € 318 thousand (prev. year: € 110 thousand)	961	833
10. Income from profit transfer agreements	0	0
11. Interest and other expenses	51	86
12. Result from ordinary activities	21,215	14,364
13. Taxes on income	7,359	–678
14. Other taxes	130	127
15. Net profit for the period	13,726	14,915
16. Unappropriated retained earnings brought forward	12,307	9,342
17. Dividend distribution	5,391	4,493
18. Allocation to other revenue reserves	6,862	7,457
19. Unappropriated surplus	13,780	12,307

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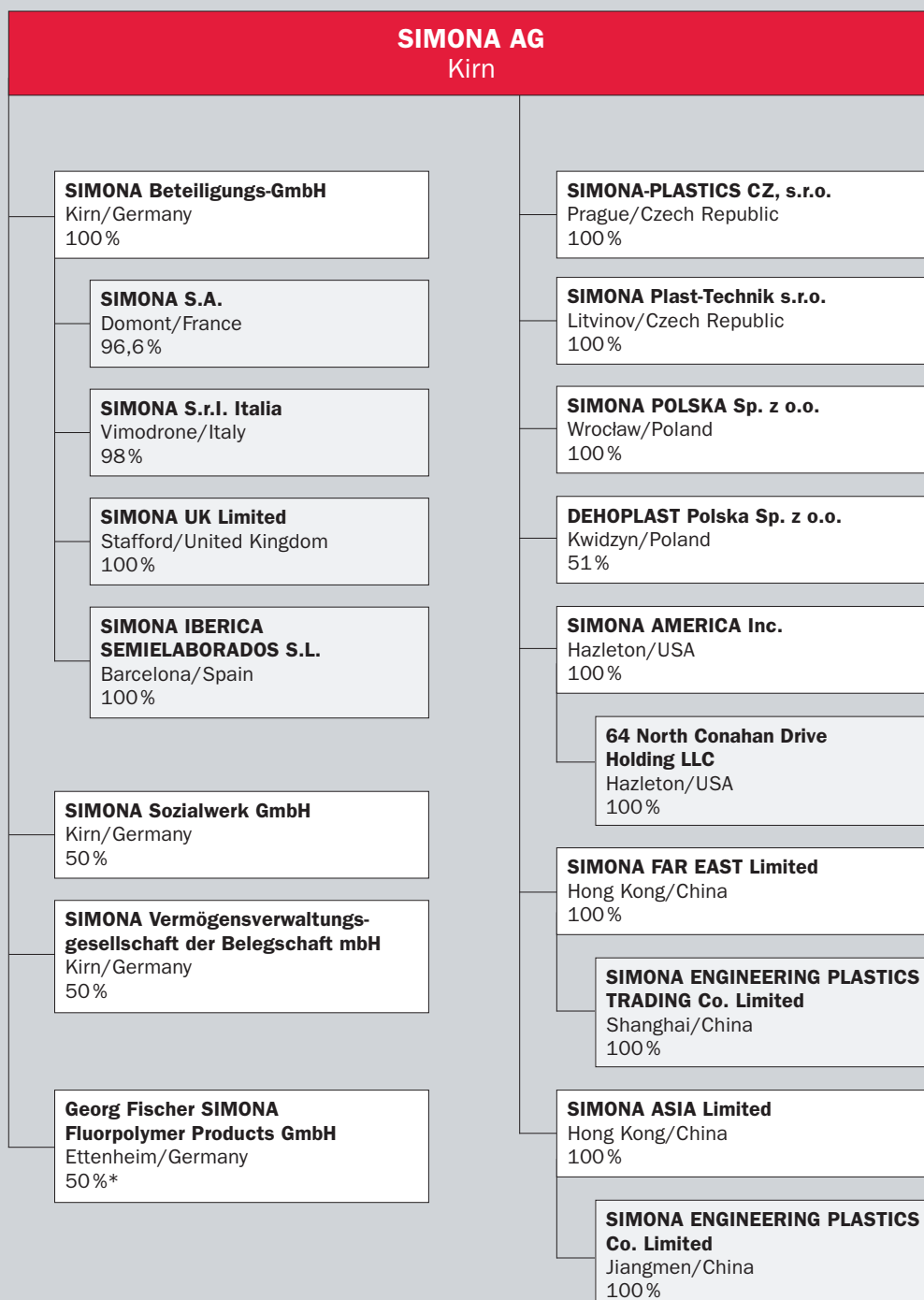
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◀◀ **SIMONA AG Shareholdings**
Governing bodies at SIMONA AG

SIMONA AG Shareholdings



* Effective from January 1, 2008, SIMONA AG sold its interests to Georg Fischer Rohrleitungssysteme AG, Schaffhausen (Switzerland).

Governing bodies at SIMONA AG

Members of the Management Board

Wolfgang Moyses Chairman of the Management Board A Member of the Management Board since 1999. Areas of responsibility: <ul style="list-style-type: none"> ■ Strategic Business Development ■ Global HR Management & Legal Affairs ■ Investor Relations ■ Chairman Asia Pacific ■ Member of the Board SIMONA AMERICA Inc. 	Dirk Möller A Member of the Management Board since 1993. Areas of responsibility: <ul style="list-style-type: none"> ■ Production ■ Land Holdings/ Construction and Occupational Safety ■ Technical Service Center 	Jochen Feldmann A Member of the Management Board since 2006. Areas of responsibility: <ul style="list-style-type: none"> ■ Controlling ■ Purchasing ■ Accounting ■ IT & Organisation ■ Quality Management 	Detlef Becker A Member of the Management Board since 1 April 2008. Areas of responsibility: <ul style="list-style-type: none"> ■ Sales ■ Marketing
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Members of the Supervisory Board

Hans-Wilhelm Voss Chairman Businessman, Simmertal	Hans-Werner Marx Deputy Chairman Businessman, Kirn	Roland Frobél Tax Consultant, Isernhagen
Dr. sc. techn. Roland Reber Managing Director of Ensinger GmbH, Stuttgart	Bernd Meurer Employee Representative Maintenance Fitter, Hennweiler	Karl-Ernst Schaab Employee Representative Clerk, Bergen

Supervisory Board Committees

Audit Committee		
Hans-Wilhelm Voss (Chairman)	Hans-Werner Marx	Roland Frobél
Personnel Committee		
Hans-Wilhelm Voss (Chairman)	Hans-Werner Marx	Roland Frobél

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