

SIMONA

Annual Report 2008

Discover SIMONA

Key Financials

| SIMONA Group* | | 2008 | 2007 | 2006 |
|----------------------------------------------|-----|-------|-------|-------|
| Revenue | € m | 303.7 | 299.9 | 262.8 |
| Year-on-year change | % | 1.3 | 14.1 | 14.0 |
| of which abroad | € m | 191.6 | 185.0 | 165.3 |
| of which abroad | % | 63.1 | 61.7 | 62.9 |
| Staff costs | € m | 58.2 | 58.1 | 52.1 |
| Profit before income taxes | € m | 20.2 | 19.8 | 15.1 |
| Profit for the period | € m | 13.9 | 14.1 | 16.1 |
| Net cash from operating activities | € m | 44.7 | 17.1 | 16.6 |
| EBIT | € m | 19.8 | 19.7 | 14.9 |
| EBIT | % | 6.5 | 6.6 | 5.7 |
| EBITDA | € m | 32.3 | 32.5 | 28.0 |
| EBITDA | % | 10.6 | 10.8 | 10.7 |
| | | | | |
| Total assets | € m | 244.8 | 233.8 | 226.4 |
| Equity | € m | 157.6 | 148.3 | 139.8 |
| Non-current assets | € m | 97.1 | 88.3 | 90.6 |
| Investments in property, plant and equipment | € m | 21.2 | 13.5 | 18.1 |
| Average number of employees | | 1,237 | 1,224 | 1,101 |

* Based on IFRS

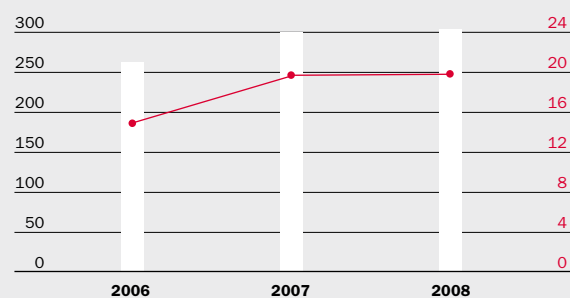
| Stock Data | | 2008 | 2007 | 2006 |
|------------------------------------------|---|-------|-------|-------|
| Earnings per share | € | 23.20 | 23.53 | 26.96 |
| Dividend | € | 8.50 | 8.50 | 7.50 |
| Bonus 150th anniversary of SIMONA | € | | | 1.50 |
| Dividend yield | | 2.6 | 2.5 | 3.0 |
| P/E ratio* | | 14.0 | 14.3 | 11.1 |
| Market capitalisation-over-equity ratio* | | 1.23 | 1.36 | 1.29 |
| share price as at Dec. 31 | € | 324.0 | 336.1 | 300.0 |

* Each calculated on consolidated basis

Revenue and EBIT SIMONA Group

(in € m)

■ Total revenue
● EBIT



| SIMONA AG* | | 2008 | 2007 | 2006 |
|----------------------------------------------|-----|-------|-------|-------|
| Revenue | € m | 271.2 | 265.7 | 227.7 |
| Year-on-year change | % | 2.1 | 16.7 | 12.9 |
| of which abroad | € m | 159.6 | 155.9 | 132.6 |
| of which abroad | % | 58.8 | 58.7 | 58.2 |
| Staff costs | € m | 50.1 | 47.6 | 44.7 |
| Profit before income taxes | € m | 19.2 | 21.1 | 14.4 |
| Profit for the period | € m | 12.4 | 13.7 | 14.9 |
| Cash flow | € m | 25.6 | 25.5 | 25.0 |
| EBIT | € m | 17.8 | 20.2 | 13.4 |
| EBIT | % | 6.6 | 7.6 | 5.9 |
| EBITDA | € m | 34.7 | 30.8 | 23.0 |
| EBITDA | % | 12.8 | 11.6 | 10.1 |
| | | | | |
| Total assets | € m | 188.8 | 179.2 | 171.9 |
| Equity | € m | 135.3 | 128.0 | 119.7 |
| Non-current assets | € m | 61.1 | 60.9 | 58.9 |
| Investments in property, plant and equipment | € m | 11.2 | 8.4 | 10.0 |
| Average number of employees | | 1,013 | 1,022 | 948 |

* Based on HGB

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Dear Shareholders,

“Financial and economic crisis” is likely to be one of the most frequently used terms in annual reports for 2008. We, too, will be unable to avoid it entirely. And yet, although the force of the current crisis has hit us hard, it has merely influenced our tactics rather than affecting our overall strategy. SIMONA remains firmly committed to its long-term goals, despite the visible marks left by the crisis with regard to our results for 2008 and the fact that 2009 is likely to be an extremely challenging year for us.

Our medium-term goal is to generate global sales revenue of €500 million through organic growth and acquisitions. We want to capture new regional growth markets, particularly in Eastern Europe and South America. We want to unlock new fields of application within the area of environmental and energy technology, life sciences and utilities. We want to position ourselves as a premium supplier within the global arena, while drawing on and further extending the unique strengths of the SIMONA brand: quality, diligence and reliability.

In 2008, we took a sizeable step forward with regard to attaining these goals. We again moved slightly beyond the record level of revenue achieved in 2007, but fell just short of the sales target of €315 million due to a severe decline in demand in the fourth quarter of 2008. At the same time, we managed a slight improvement in earnings before tax – despite the severe pressure associated with current cost trends and competitive forces. What is more, we increased net cash from operating activities by a significant margin. This has provided us with an enviable vantage point not only in terms of weathering the current storm but also when it comes to investing in continued growth over the long term. We have completed work on new facilities in China and the Czech Republic, which will support our programme of international expansion. Furthermore, in launching the second generation of twin-wall sheets, rolling out the new lightweight foam sheet SIMOPOR-ULTRALIGHT and spearheading the piping systems GEO-Line and SIMOFUSE®, we have successfully established innovative products in new application segments.



The Management Board:

- 1 Wolfgang Moyses, CEO
- 2 Jochen Feldmann, CFO
- 3 Dirk Möller, COO
- 4 Detlef Becker, CSO

Our products are already contributing to people's well-being and quality of life in various fields of application. The SIMONA City concept showcased in this report is designed to highlight our diverse range of activities. In offices and exhibition facilities, at airports and railway stations, in industrial and manufacturing units, at power stations and sewage treatment plants, on bridges, in motor vehicles and even in the area of leisure and sport – our high-quality plastics offer total peace of mind. SIMONA City will continue to grow. Indeed, our engineers and product managers have a pipeline filled with new ideas of how to improve people's quality of life with the help of plastics.

Discover SIMONA City. We hope you enjoy reading our 2008 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

SIMONA has a number of ambitious goals. We are of the firm belief that there is exceptional growth potential for our plastic products world-wide. Our semi-finished products, pipes, fittings and finished parts are designed to deliver sustained benefits and added value. Inspired by an extensive portfolio of products, we are committed to opening up an increasingly diverse range of applications within the field of environmental technology, mobility and life sciences as well as energy and water supply.

With more than 1,200 qualified employees, a track record of excellence that spans more than 150 years, exceptional process engineering capabilities and unparalleled SIMONA service, our 35,000+ products help to maintain the heartbeat of entire cities, as well as making life more liveable. Intrigued?

Discover SIMONA City.

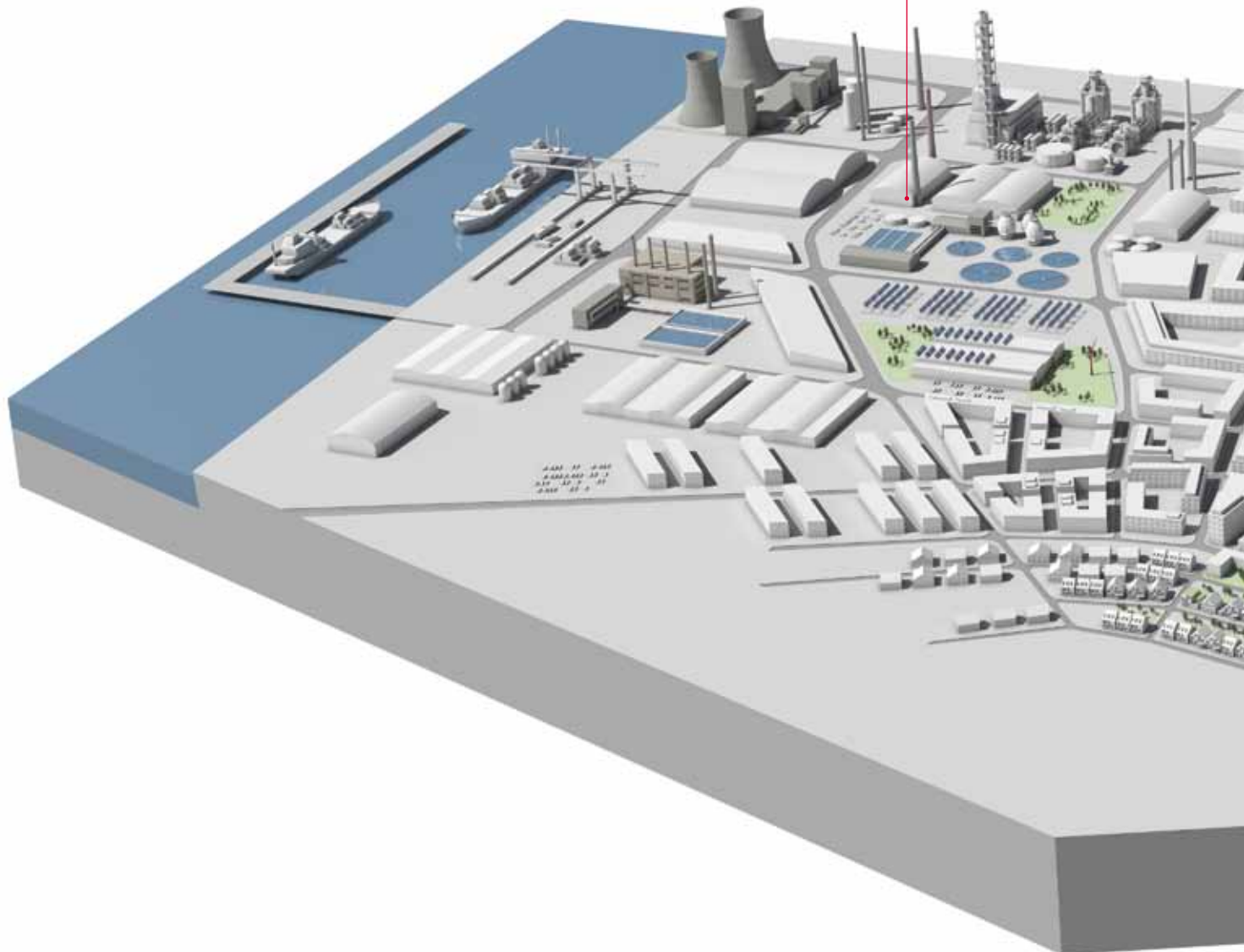
Welcome to SIMONA City

Whether you open a tap, cheer on your favourite team or catch a flight to a far-flung destination: SIMONA is all around you. Our products and projects are an integral part of everyday life.

DISCOVER QUALITY

SIMONA products for industry, environmental technology and energy

PAGE 8



DISCOVER INTERNATIONALITY

SIMONA products for
transport, office facilities
and trade fairs

PAGE 4

DISCOVER INNOVATION

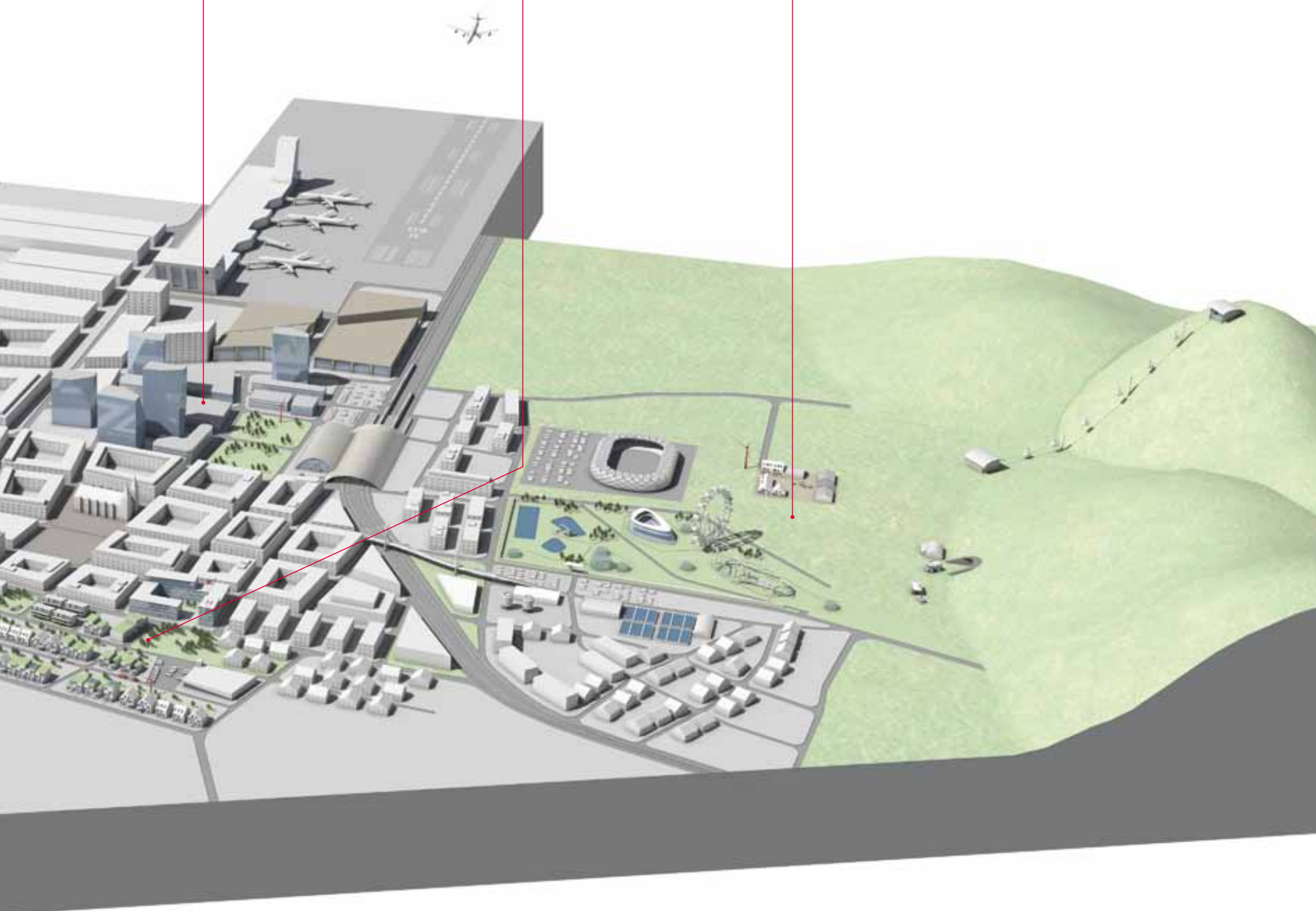
SIMONA products for
life sciences, health
and utility services

PAGE 12

DISCOVER PROGRESS

SIMONA products for
leisure, mobility and
mining

PAGE 16



Discover Internationality

**Offices, trade fairs, railway stations and airports:
SIMONA creates networks. Around the clock. Around the globe.**

OFFICE BUILDINGS

**Low-flammability
ventilation systems** made of
PPs pipes and sheets

Sheets for **facade elements**

Ceiling and wall panels made of
compact PVC sheets

Door panels made of PVC-T

Sign systems made of PVC sheets



RAILWAY STATIONS

SIMODRAIN piping systems for the **drainage of traffic routes**

PVC sheets for **railway carriage interiors**

TRADE FAIRS

PVC sheets for **displays at exhibition centres**

PVC sheets for **exhibition wall design**

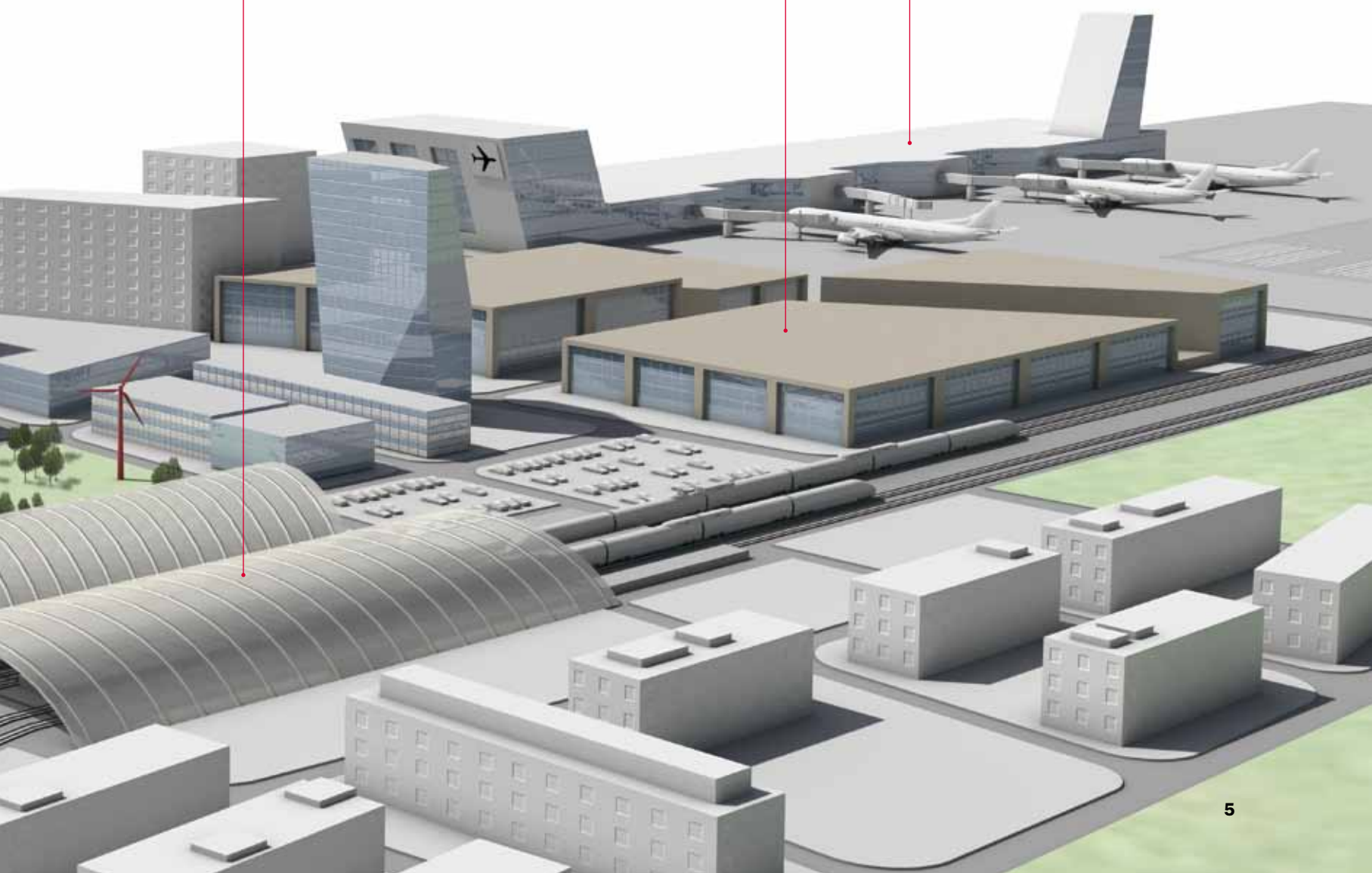
SIMOLUX sheets for **transparent panelling**

AIRPORTS

Finished parts for **anti-slip rails** for baggage transport

Illuminated signs made of transparent SIMOLUX

Wastewater piping systems for the **disposal of de-icing fluids**



Achieving international growth



SIMONA has a sound market position in Europe. This is the result of continual and consistent marketing efforts over several decades. In the key Western and South-Eastern European markets, we are already one of the top three manufacturers of semi-finished plastics. For our ambitious, long-term growth goals, we have therefore defined target markets beyond Europe that show great promise for our product portfolio.

Global consumption of plastics has increased exponentially over the past few decades, yet plastics still have enormous worldwide growth potential. By the year 2015, demand is expected to reach 300 million tons. That is more than double the demand experienced even as recently as the year 2000. The polyolefin group (PE and PP) already accounts for half of global plastics consumption – and the trend is still rising. Other technical plastics also offer strong growth prospects for new applications in the mobility, life science and environmental technology sectors – a trend confirmed by a number of studies. The fast-growing markets of Asia and Eastern Europe offer great potential over the medium and long term. By 2015, China will have a 25 per cent share of the plastics market, compared to 10 per cent only 20 years ago. In Eastern Europe, plastics used in the building and advertising industries will be in particularly high demand. In South America, piping systems for industrial and civil engineering projects are one of the growth markets. SIMONA is consistently gearing its distribution systems and product policies to cope with this global growth in demand. In Asia and Eastern Europe we have established new plants to enable us to supply our products faster, meet the demands of our customers more flexibly and minimise the risk of foreign exchange fluctuations. Worldwide the SIMONA brand stands for quality, accuracy and reliability. We will continue to work hard to expand on these strengths. We are a trusted partner – in every respect and all over the world.



2008 projects



SIMODRAIN® solutions for overhead railway in Hamburg

Hamburg is the gateway to the world. And the Hamburg Main Railway Station is the hub of rail travel in Northern Germany. More than 450,000 people frequent the railway station and over 720 local and long-distance trains depart from the vast station every day. Substantial investment in rail infrastructure is constantly required to effectively cope with such traffic volumes.

The rail line between the main railway station and the North Elbe River is being upgraded. Pipes, fittings and shafts from the SIMODRAIN range are being used to keep water off the huge stretch of track. In all, more than 8 km of piping, 40 shafts, some 2,450 connection elements and 30 shaft connectors from the SIMOFUSE® range will be installed.



Biowashers made from PE-HWU sheets for cellulose manufacturer in Spain

Organic odours and noxious substances are typically released during cellulose production. These substances are dissolved by micro-organisms and reduced to a minimum in biowashers. The construction of such biowashers requires the highest level of chemical resistance and outstanding process capability.

COLASIT AG from Switzerland, a world leader in the construction of tanks made of corrosion-resistant plastics, chose SIMONA® PE-HWU sheets for four new biowashers it was assembling for a cellulose manufacturer in Spain. The challenges of this project were not only the oversized dimensions of the washers but also the tight completion deadline. The biowashers were fully installed within the existing plant in just seven months.



Finished parts for Krombacher brewery

Krombacher Pils is by far the highest selling lager brand in Germany. From its strong national position, the company is constantly seeking to expand its existing market share. For its demanding production processes, Krombacher opts for suppliers that can guarantee the highest quality components.

SIMONA supplies finished parts for Krombacher's mechanical filling processes. Its guide rails, chain guides and profiles are preferred because of their superior abrasion resistance and good slip properties in response to different materials. This ensures long service life despite the high belt speeds involved.

Discover Quality

At SIMONA, precision and diligence always take centre stage. Particularly when it comes to the environment, energy and foodstuffs.

DESALINATION PLANTS

Piping systems for
desalination facilities

PRODUCTION

Cutting boards
for the textile industry

Noise protection booths
made of twin-wall sheets

FOOD INDUSTRY

Chain guides and guide rails
for filling systems

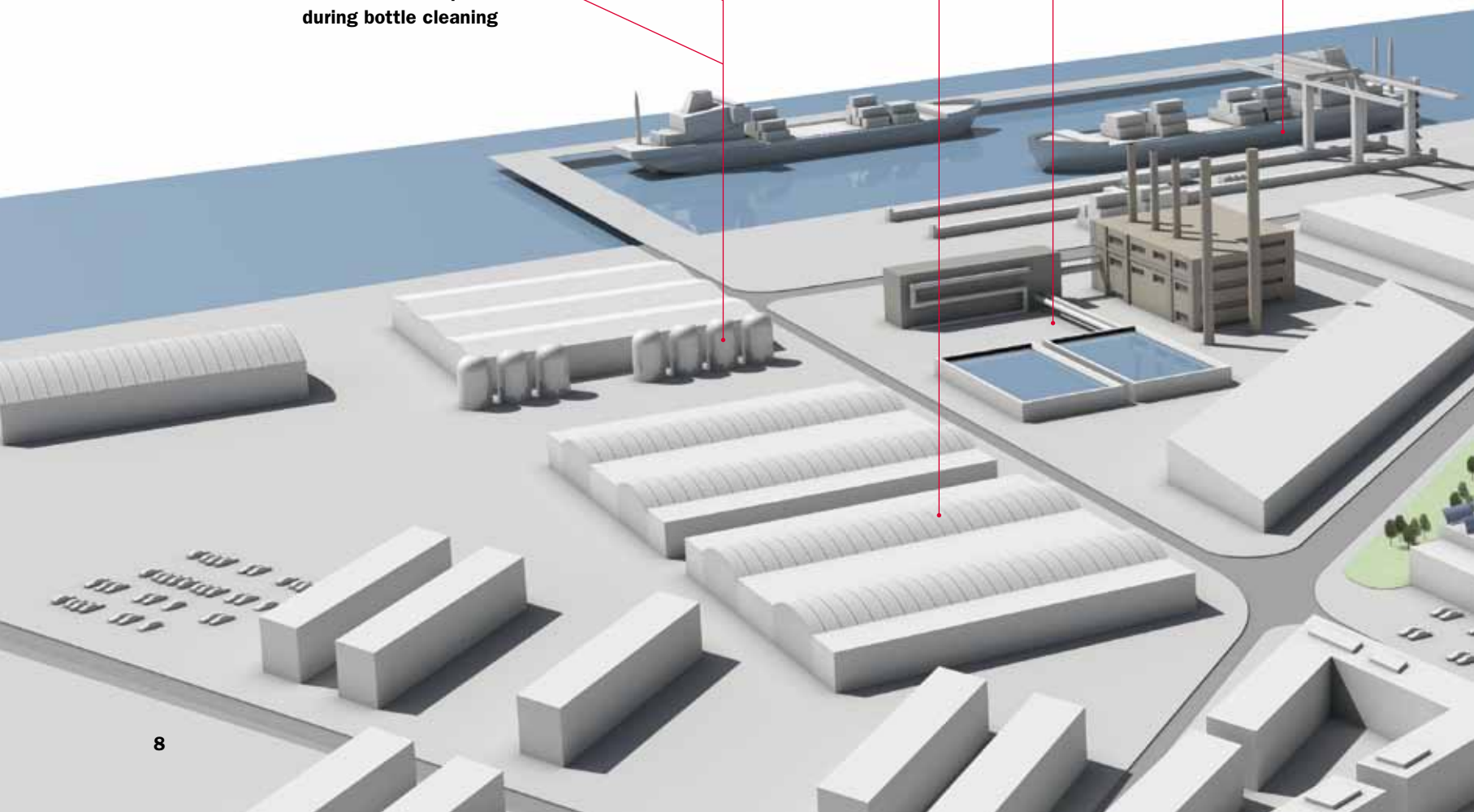
Glass-fibre-backed PP
for **silo lining**

Double-containment pipes
for **wastewater disposal**
during bottle cleaning

PORTS

UHMW PE sheets for
fender construction

Piping system components
and semi-finished products
for **floating pontoons and buoys**



POWER STATIONS

PP-H AlphaPlus® piping systems and semi-finished parts for **flue gas desulphurisation systems**

PP studded sheets for **interior wall design**

E-CTFE sheets for **fireplace linings**

MANUFACTURERS OF PHOTOVOLTAIC SYSTEMS

Cleanroom PVDF for the **production of photovoltaic systems**

SEWAGE TREATMENT PLANTS

PE piping systems and sheets for **sewage treatment plants**

INDUSTRIAL PLANTS

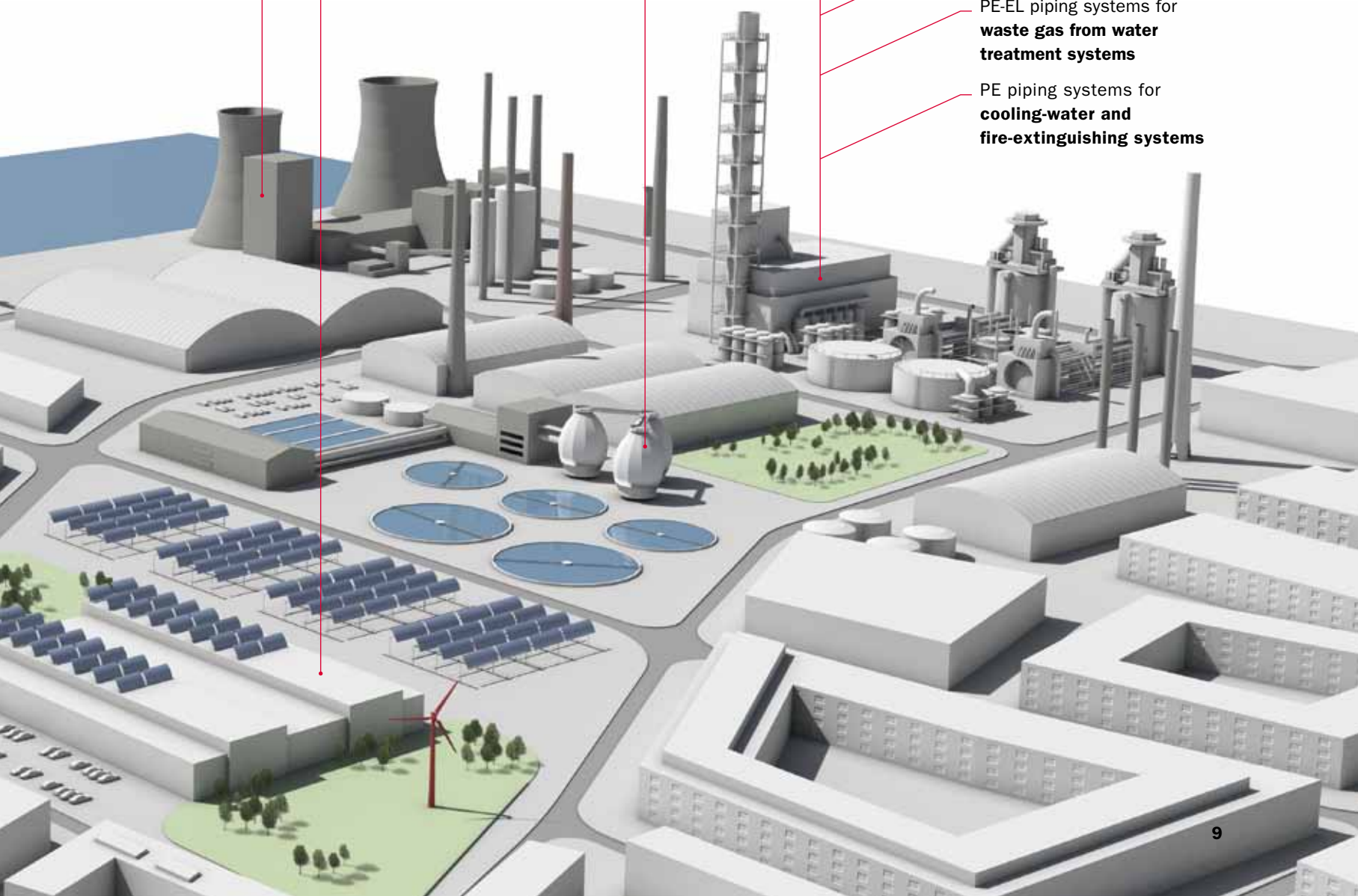
PE and PP sheets for **tanks used in surface finishing**

Chain guides for **conveyor systems**

PP piping systems for **industrial wastewater disposal**

PE-EL piping systems for **waste gas from water treatment systems**

PE piping systems for **cooling-water and fire-extinguishing systems**

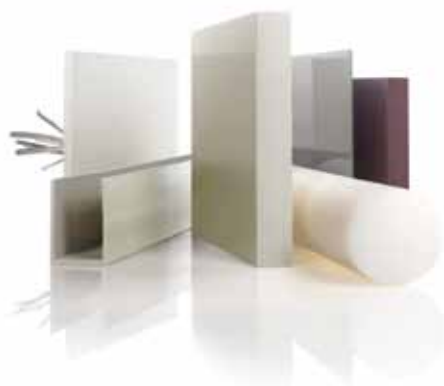


Assuring sustainable quality



SIMONA stands for quality. For over 50 years, we have been producing thermoplastics of the highest quality. From the purchase of raw materials to production and logistics, our processes are all geared to one purpose – meeting the demands of our customers.

And these demands are growing at the same pace as new applications for plastics. This is obvious not only from the rapidly expanding SIMONA City. The experts at our Technical Service Centre, who provide advice on plastics applications, are also noticing the trend. Product and raw material selection, information about chemical resistance, structural calculations, training sessions on joining technology and material testing are bread and butter to our engineering professionals. Even the development of customised materials is all part of the proverbial SIMONA service. Sustainable quality assurance is one of the corporate goals of SIMONA. And we continue to meet this goal time after time – a performance confirmed by TÜV Süd (German Technical Inspection Authority). Our quality management system has been certified since 1993, and the high standard of our management systems was confirmed yet again in 2008. Regular quality audits in all segments and at all levels of our company are essential tools for the continuous improvement of our products and processes. This applies not only to our German plants. The globalisation of our business and corporate structures is one of the biggest challenges for our quality management team. We want to ensure that our customers receive products and services of the same high standard from all of our locations worldwide. This is why we are currently preparing our new production site in Litvinov in the Czech Republic to undergo an audit. Quality is a branding promise of SIMONA. We will continue to work hard on ensuring we maintain it. We are a trusted partner – in every respect and all over the world.



2008 projects



PE-EL piping system for Boehringer Ingelheim

Environmental protection is a key task for any pharmaceutical research company with a future. By building an expanded Central Waste Water Treatment Plant (ZABA), Boehringer Ingelheim was responding to the issue of increasing waste water contamination.

The project required lightweight pipes and fittings with universally homogeneous conductivity. State-of-the-art quality and technology was called for. peters engineering ag and SIMONA therefore designed a pipeline system made out of SIMONA® PE-EL, which was installed by IKS GmbH. The electrically conductive polyethylene dissipates any electrostatic charges in the exhaust air generated during the wastewater treatment process and prevents sparking. For SIMONA, this project is a further milestone in its development of high-quality products for environmental technology purposes.



Pipes and fittings for UK's first desalination plant

Located on the north bank of the Thames, Beckton (East London) is the site chosen for a major desalination plant that is to be completed by the end of 2009. Boasting a capacity of 150,000 m³ per day, the plant is capable of supplying approx. 400,000 homes with drinking water.

As the water contains aggressive salt particles, transportation requires a piping system whose components are highly resistant to chemicals. Pipex Ltd. was particularly impressed by the corrosion-resistant plastic pipes developed by SIMONA. The new desalination plant will feature a host of SIMONA® PE 100 pipes and fittings in diameters ranging from 63 to 1,200 mm. Pipex has already pre-assembled, installed and tested the piping system on site.



PP-DWU AlphaPlus® pickling line installed by Kunststoffbau Langschede

The pickling line of a steelworks run by Rasselstein GmbH in Andernach had to be completely replaced. Plastics engineering company Langschede GmbH convinced Rasselstein to opt for SIMONA® PP-DWU AlphaPlus® as the material of choice.

The pickling line, with its four pickling tanks, is approx. 150 metres long in total. In designing the upgrade, particularly careful consideration had to be paid to structural calculations, the length of the line and the method of joining the individual tanks. Only materials of the highest quality could be used. Because of these factors, and the challenge of the demands placed on materials subjected to temperatures of up to 102 °C, the SIMONA Technical Service Centre was closely consulted. Since then, Kunststoffbau Langschede has designed and built ten other such pickling plants using PP-DWU AlphaPlus® that are now in operation all over the world.

Discover Innovation

SIMONA has its finger on the pulse. Armed with innovative solutions for the medical, logistics and utility sectors, we are here to unlock new opportunities.

CIVIL ENGINEERING

SIMOFUSE® pipe modules for the **repair of inner-city sewage systems**

Pipes and fittings for **trenchless installation of drinking-water systems**

PE piping systems for **drinking-water supply**

LANDSCAPE DESIGN

Thermoformed products for garden, playground and landscape design

GEOHERMAL POWER PLANTS

GEO-Line piping systems for **geothermal facilities**

HOME AND LIVING

Cutting boards suitable for contact with foodstuffs

Twin-wall sheets for **pressure boosting systems**



TRUCKS

Transport boxes
for trucks

Thermoformed products
for engine storage

Fifth-wheel couplings
made of dehoplast PE 500

STREET CLEANING

Pipes and pressed sheets
for **brushes in road sweeping**
vehicles

HOSPITALS

SIMOLUX tubes for
dialysis machines

PP milled parts for
medical equipment

PETG sheets for
CT scanners

Low-flammability pipes and
fittings for **ventilation systems**

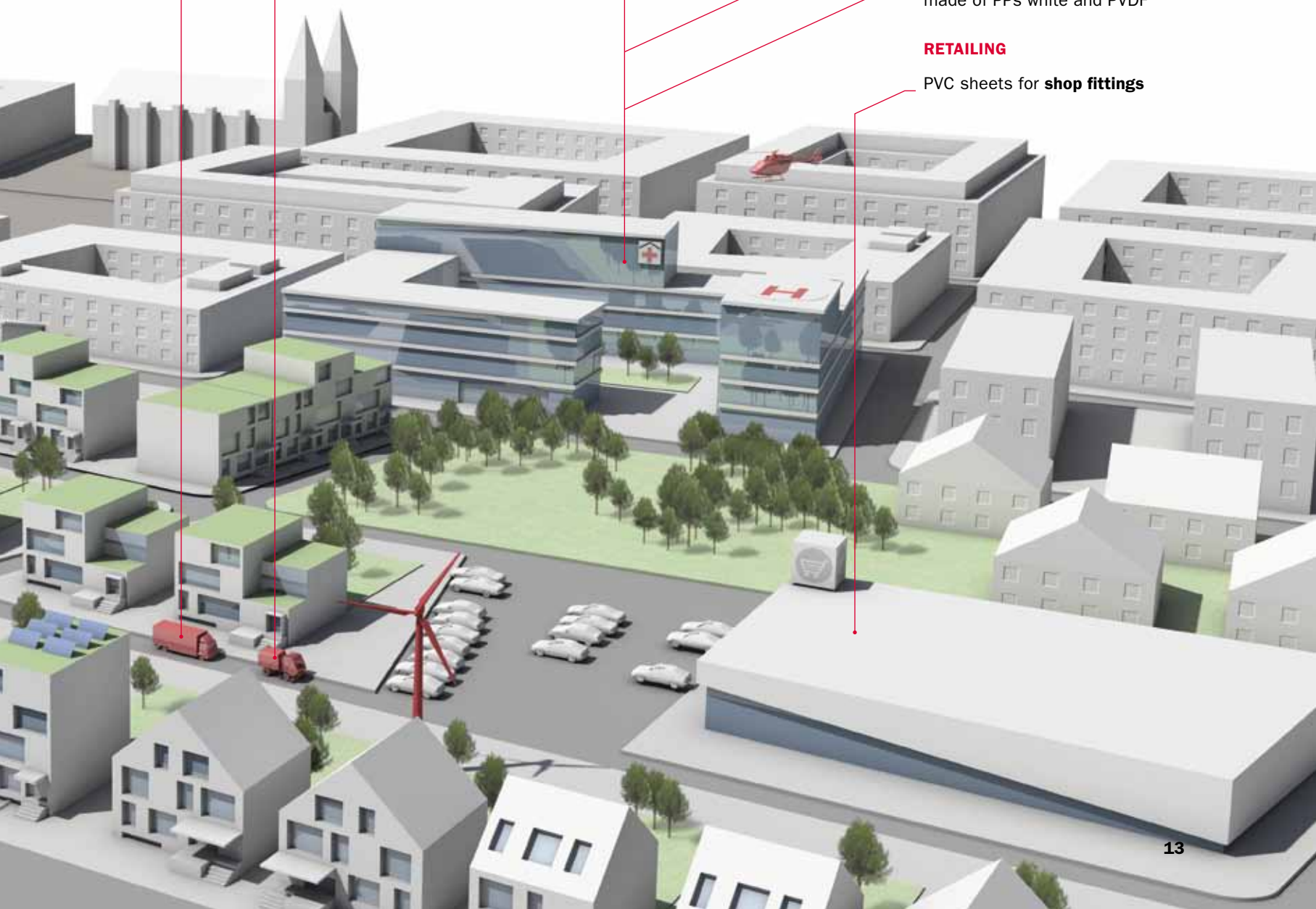
PE, PP, PETG sheets for
orthopaedics (prostheses)

Antibacterial sheets for
ram-protection rails

Lab cabinets and fittings
made of PPs white and PVDF

RETAILING

PVC sheets for **shop fittings**



Measuring innovation on customer success



SIMONA has one of the most diverse product ranges in the world – and one of the best. Our position as a leading manufacturer of semi-finished products, pipes, fittings and finished parts allows us to offer our customers intelligent, customised product systems of the highest standard.

With the development of PP-DWU Alpha-Plus®, SIMONA – as the only manufacturer of semi-finished plastics – is now able to offer a complete product line made entirely out of a state-of-the-art PP-H material, the compound of which is certified by the DIBt (Deutsches Institut für Bautechnik). The result? Supreme safety and reliability during chemical tank and equipment manufacturing, for example. But don't just take it from us – that's what our customers say in regular customer satisfaction surveys. At SIMONA, however, innovation doesn't just mean developing new products. The success of our innovations is measured on the success of our customers. The adjustment of certain materials to achieve required product characteristics, the intelligent enhancement of compositions to enable special uses, and technical testing for application areas that our specialists themselves haven't thought of yet are the parameters for successful innovation. This requires constant investment in process engineering and in the competences of our employees. And it requires independence from others. All these factors are the pillars of SIMONA's corporate philosophy. In 2008 alone, we invested more than €21 million in production sites and facilities. In 2008, we also intensified staff training and consolidated our independence by significantly increasing cash flow from operating activities. Innovation can only occur by constantly asking questions. We will continue to work hard at identifying our customers' requirements – right down to the smallest detail – and at consequently drawing the correct conclusions. SIMONA is a partner that people trust. In every respect. All over the world.



2008 projects



GEO-Line pipes for eco-friendly mine water project

Innovations in power generation are essential for meeting ambitious climate targets. Geothermal energy is one of the renewable energies, enabling emission-free power generation. The municipality of Heerlen in the Netherlands uses geothermal energy for heating and air-conditioning purposes. In a globally unique project, mine water is being tapped as a new source. This required an integrated system solution of pipes and fittings.

Together with its partner Profilplast Pipesystems B.V., Sittard, SIMONA has developed a piping system made of PP-H AlphaPlus®, which meets the highest demands in insulation and chemical resistance against aggressive mine water.



Piping system rehabilitation for Berlin waterworks

The best innovations aren't always visible, even when they have gigantic dimensions. When it comes to rehabilitating its 1100 km long sewer system, the Berlin waterworks faces huge challenges: superior durability, quick installation, ease of handling and low environmental impact.

With our special 1060 mm diameter pipes, which can be installed by means of the swagelining process without the need for trenches, we were able to meet these challenges. Working in conjunction with our partner, Ludwig Pfeiffer Hoch- und Tiefbau GmbH & Co. KG, an old cast iron pipe in Berlin-Rudow was rehabilitated in record time through a 500 m section.



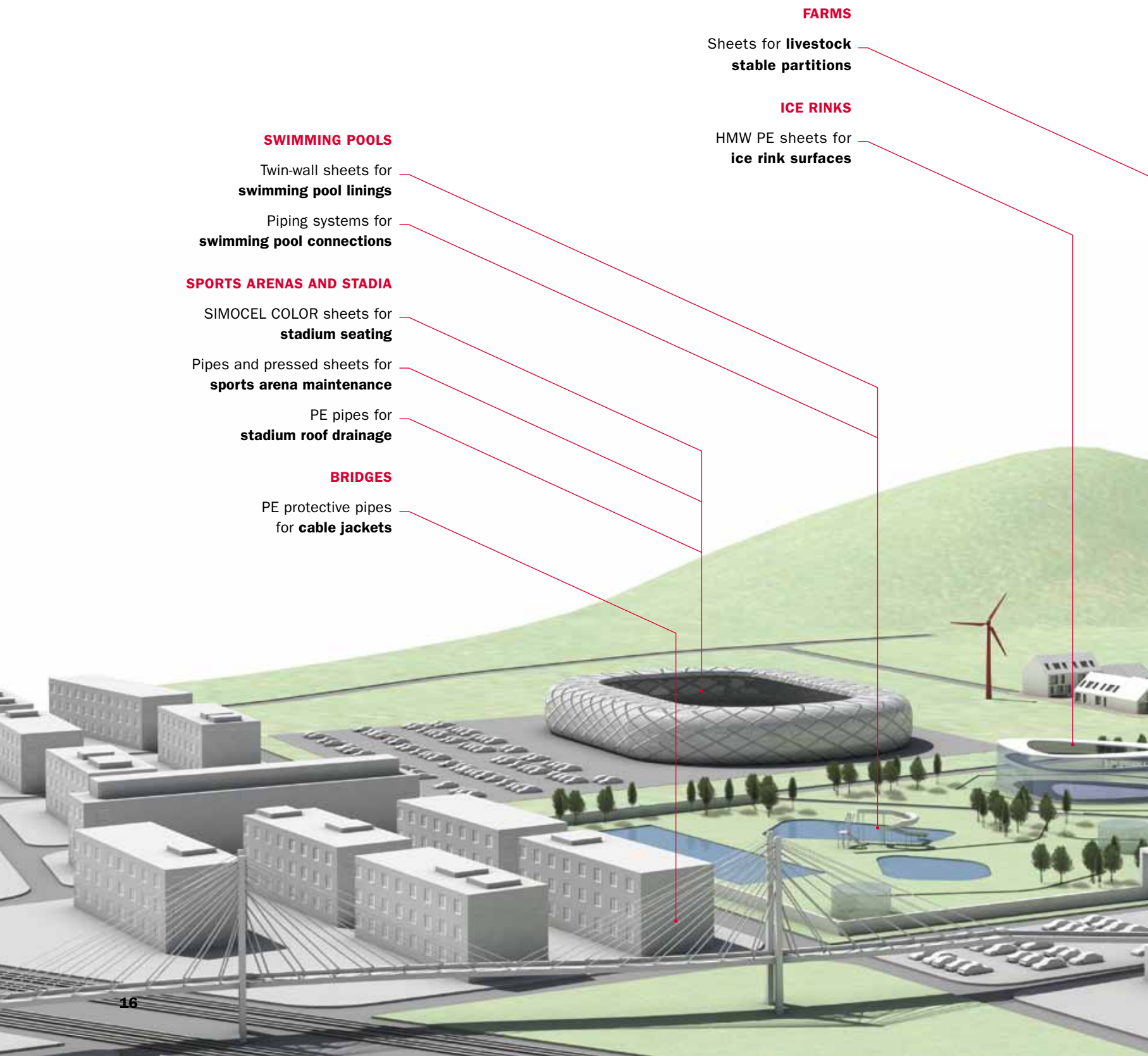
SIMOLUX pipes for mobile dialysis machines

Innovations in medical technology directly improve people's quality of life. New mobile dialysis machines can reduce people's reliance on hospitals and deliver greater freedom of mobility. Such freedom can only be guaranteed through clinical precision and reliability of all components.

For NxStage, SIMONA provides pipes made of SIMOLUX, which are built into mobile dialysis machines as filters. NxStage is the first and only producer of such machines. Due to the 1 mm thin walls, the pipes must adhere to very narrow tolerances, and meet strict cleanroom standards.

Discover Progress

Whether for the holiday or leisure industry: our team is committed to creating greater quality of life. SIMONA's success is a testament to their experience and motivation.



AUTOMOTIVE

- Multilayer sheets for **fuel tanks**
- Thermoformed PE sheets for **boot/trunk panels and inserts**
- PE sheets for **car door sill panels**

ELEVATED WATER TANKS

- PE sheets and pipes for **linings of elevated fresh-water tanks**

ALPINE SPORTS

- PP-C sheets for **snowboard coatings**
- Ram protection products** for gondola lifts

LEISURE PARKS

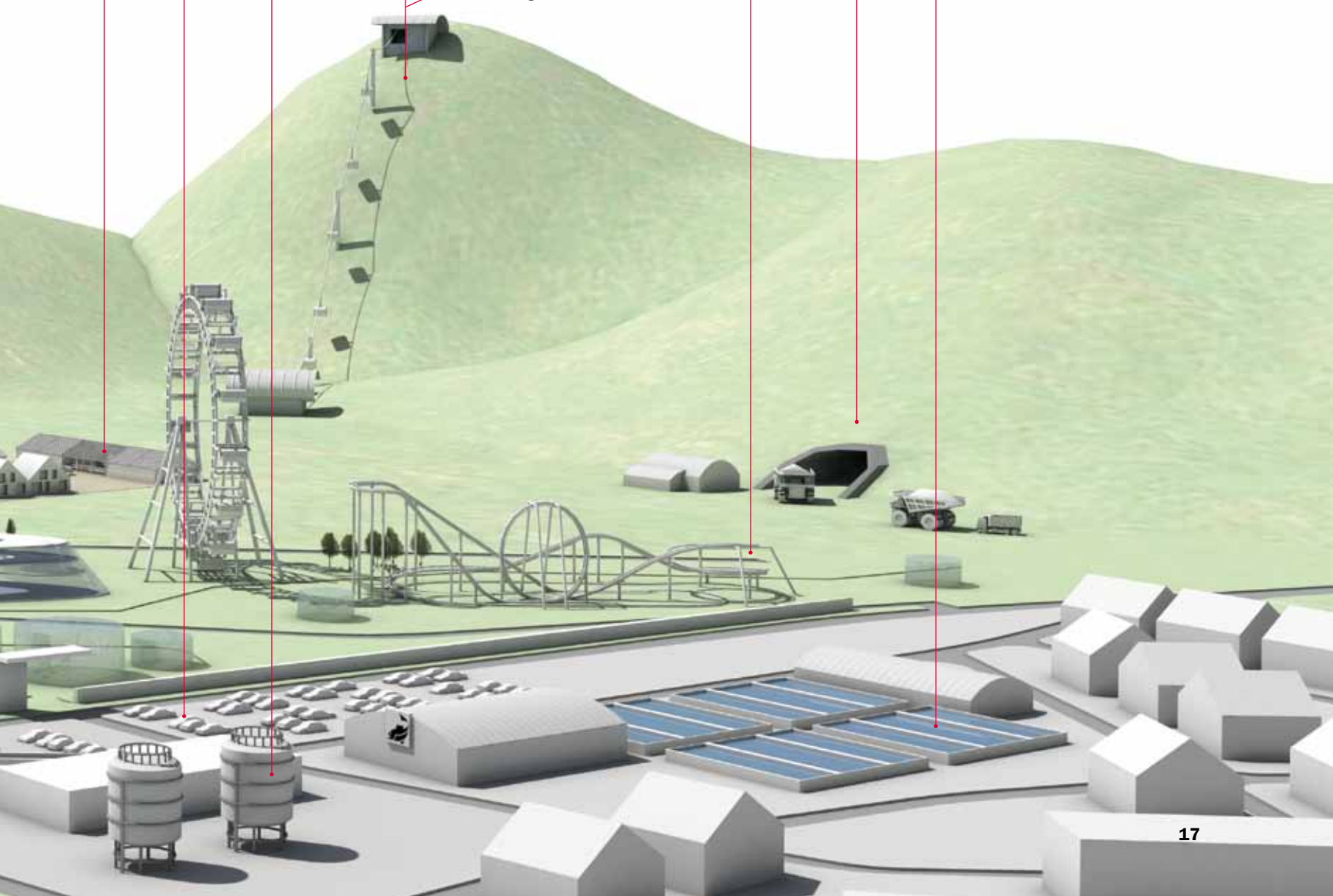
- Piping systems for **water slides**

IRON ORE MINING

- Pipes and sheets for **mine drainage**

FISH FARMS

- Sheets and pipes for **fish farms**

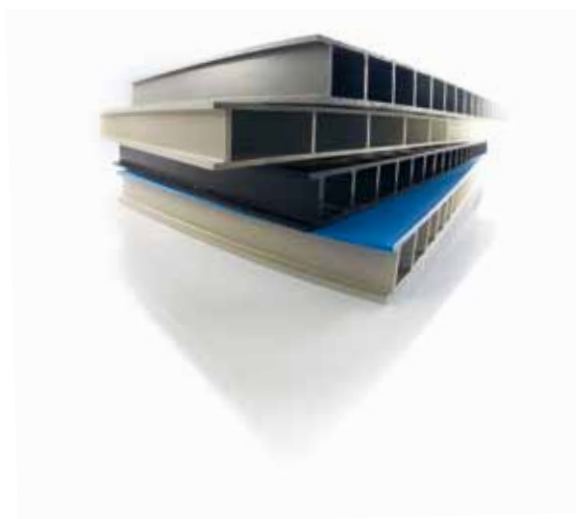


Recruiting the best worldwide



SIMONA's employees are highly skilled. This is due to our consistent training policy, our high ratio of qualified staff and our identity-establishing corporate culture. Recruiting high-achievers from our own ranks is not just a guiding principle – it is essential for our future success.

Competition for acquiring the best minds and hands is becoming increasingly fierce. Although the high-calibre training provided by SIMONA forms the basis of our successful personnel marketing, recruiting the best people worldwide requires additional effort. For this reason, SIMONA considers the further development of its senior staff and the recruitment of top performers in key positions to be the pillars of its personnel strategy – and the long-term goal of its corporate strategy. The foundations for achieving these goals are already in place. SIMONA is a reliable, solid and socially responsible employer – one that staff can identify with. Those aren't the words of the board – they are the words of our employees, most recently put forward in a detailed survey conducted in 2008. In a location that is perhaps not considered to be one of Germany's most attractive, this can only be achieved by adding value appropriately and by fostering a strong corporate culture – and, of course, through economic success and a solid financial basis. In 2008, the number of employees increased significantly, especially at our European sites. At our new production location in Litvinov, Czech Republic, highly specialised positions have developed. Through scholarships, cooperation with colleges and universities, and job integrated courses, we offer talented people with technical and business backgrounds interesting prospects for the future. And with our flat hierarchy, international structures and performance-oriented outlook, we offer attractive opportunities for career advancement. Global personnel development is the fuel of our internationalisation policy. We demand absolute commitment, while remaining committed to working in a socially responsible way. SIMONA is a partner that people trust. In every respect. All over the world.



2008 projects



PP-C running surfaces for FX-Smart-Base snowboards

Just like the engine is for a car, the running surface of a ski or snowboard is responsible for its optimum forward movement. FX-SmartBase® running bases set new standards in durability, low maintenance and design. Until recently, the standard material for such running bases was polyethylene. Now, for the first time, FX-Smart-Base and SIMONA have been able to produce a robust base made of polypropylene, a base which is more economical and technically superior.

For these bases, SIMONA provides running surfaces made of PP-C – according to FX-Smartbase's patented formula – with choice waxes for optimum glide. In addition to transparent bases, special colour matching offers new design variations.



Multilayer sheets for fuel tanks of new vehicle models

SIMONA has leveraged new areas of application in the automotive sector and has built up specialist technological know-how. Since 2004, more than one million sheets have been manufactured for the BMW X3's fuel tank. SIMONA has now been commissioned by Magna Steyr Fuel Tec in Austria.

Special HDPE-multilayer sheets are currently being developed for two models manufactured by leading OEMs. The sheets are being processed in the so-called "twin-sheet thermoforming process". They have 6 layers and are defined by their excellent processing capability during thermoforming. The fuel tanks meet tough EU and US fuel emission standards.



Twin-wall sheets for swimming pools used for teaching purposes

In Hungary, children are discovering their strengths and interests whilst playing. This helps them to form the basis on which their future career paths are decided. SIMONA has provided twin-wall sheets for a teaching pool in Hungary. The sheets had to be highly efficient and rigid, with minimum bend.

In the teaching pools, water depths of between 80 and 135 cm can be set quickly and easily. SIMONA has developed special twin-wall sheets, with a cover sheet made of slip-proof PP-C-UV, and a PP-DWU AlphaPlus® floor sheet.

Events 2008



Interplastica Moscow

Trade fair appearance in the important market of Eastern Europe



Argenplas

SIMONA presents itself in the growth market of South America



Annual General Meeting 2008

Once again, increased dividends. Farewell to Hans-Wilhelm Voss

01

02

03

04

05

06



Customer training – Plastral Sheets

Our distribution partner from Down Under comes to visit



Annual results press conference

SIMONA announces solid results from its anniversary year



IFAT

SIMONA impresses at the world's largest trade fair for environmental technology



Helmut Rau visits the Ringsheim plant

The culture minister of Baden-Württemberg learns about pipe and sheet production



“Project Or” at the Milan Furniture Fair

Unusual lighting, made possible by SIMONA sheets



Investment in the future saves energy

New high-pressure condensate tank at Plant I

07



The China plant is ready

Construction of first Asian factory is complete after just 10 months

08



Corporate run for the Elisabeth Foundation

Sport and camaraderie for a good cause

09



Paris–New York by land

SIMONA sponsors float system for historical overland circuit of the Earth

10



Christmas donation for children in need

SIMONA helps family with two seriously ill children

12



Reservoir system Plant II

Investment in the “breathing factory”



Training fair in Kirn

SIMONA presents comprehensive training programme

Gathering of retired SIMONIANS

A total of more than 2000 years of employment in Kirn

Outstanding exam results

SIMONA trainees honoured by IHK



Voluntary involvement in training

SIMONA employees honoured for long-term activity on the examination board



Expoquimia

Exhibition stand at the 15th International Chemistry Trade Show in Barcelona



SIMONA employee survey

SIMONA's image as a good, reliable and solid employer is confirmed



Litvinov Plant, Czech Republic

SIMONA's first multifunctional production plant begins its operations

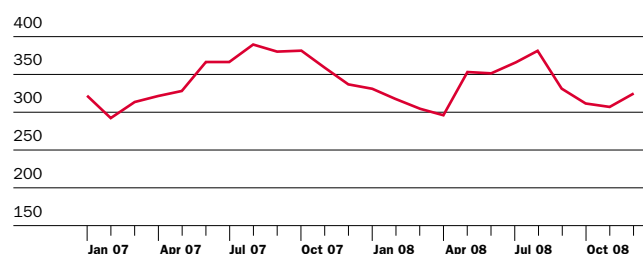
Stock Performance and Capital Markets

After six buoyant years, with significant gains, in 2008 the DAX recorded the second worst annual performance in its twenty-year history. Having lost around 40 per cent in value, Germany's blue-chip index was catapulted back to a price level last seen in 2005. In fact, the index would have contracted even more had it not been for VW stocks, which due to special circumstances performed in a league of their own in 2008. The remaining DAX-listed stocks, however, felt the full force of the encroaching financial crisis. Financial sector shares in particular were trading at just a fifth of the price recorded at the beginning of the year. Within this context, the DAX as a whole was impacted by a number of factors in the year under review. Initially, the high price of oil created palpable uncertainty among investors and threatened to become a severe encumbrance to the global economy. The smouldering financial crisis, which had already tightened its grip on the DAX in the second half of 2007, produced a string of negative headlines in 2008. In March, for instance, the investment bank Bear Stearns escaped bankruptcy only thanks to a concerted effort of support. At the end of September, Lehman Brothers filed for bankruptcy, while Merrill Lynch was taken over by Bank of America as part of an emergency action plan. Thus, the illustrious era of investment banking came to an abrupt end and global stock markets were hit by an unprecedented sell-off. Caught in this maelstrom, the DAX plunged to an annual low of 4,014 points in the space of just two weeks. The downward spiral continued into 2009, with the DAX dipping below the 3,600 mark. By April 2009, the index had gained some ground, hovering at around 4,500 points.

Performance of SIMONA shares

Operating within this difficult economic environment, SIMONA shares were able to assert themselves and hold their ground. SIMONA shares opened trading on January 2, 2008, at €336 and closed the year at €324 – a relatively minor decline in value over the twelve-month period. In the first quarter, SIMONA shares performed without any clear direction, while the second quarter produced the stock's

Share performance SIMONA AG* (in €)



* Closing market prices at end of month

annual high of €405.24 on July 18. This corresponds to an increase of 20.6 per cent compared to the price recorded on the first day of trading in 2008. Despite encouraging news with regard to the company's business prospects, trading during the second half of the year was dominated by the repercussions of the global financial and economic crisis, which gradually dragged the share price down. This trend continued into 2009 on the back of a further significant downturn in stock markets. In mid-April 2009, SIMONA shares were trading at €300.

Dividend

SIMONA's dividend payment for the 2008 financial year remains unchanged at €8.50 per share. An integral element of our overall corporate policy is to allow management, staff and shareholders to participate in the company's financial results in an appropriate manner. Since going public almost twenty years ago, we have secured a sustainably high level of dividend payments for 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 |

Report by the Supervisory Board of SIMONA AG

In June 2008, I was appointed as the new Chairman of the Supervisory Board of SIMONA AG. Thanks to many years of service on both the Management Board and the Supervisory Board of SIMONA, I am intimately familiar with the company. Maintaining a close dialogue with my colleagues on the Supervisory Board, the Management Board, the company's staff and its shareholders, I shall be looking to continue the successful work of Hans-Wilhelm Voss, the former Chairman of the Supervisory Board of SIMONA AG. Operating within a challenging business environment, particularly in the final months of the year, SIMONA achieved a solid performance in 2008. Indeed, both revenue and EBIT grew slightly compared to the record year of 2007. What is more, we saw a significant increase in net cash from operating activities. This performance is a testament to the consistent policy pursued by the company, the emphasis being on responding flexibly to change within the marketplace without ever losing sight of long-term objectives. SIMONA was quick off the mark when it came to preparing itself not only for international growth but also for potentially challenging times ahead. As early as 2006, a programme aimed at scaling down costs and enhancing efficiency levels was launched in collaboration with the Supervisory Board – measures that are now producing tangible results. So while SIMONA has been severely buffeted by the current crisis, unlike some other companies its future as a going concern has not been jeopardised. Thus, operating from a solid base, it remains committed to its long-term goals. This is also a tribute to the intensive dialogue between the Management Board and the Supervisory Board, which provided a foundation for the efficient work of the Supervisory Board. This report outlines the Supervisory Board's interaction with the Management Board as well as the key topics discussed at meetings convened by the Supervisory Board and its committees.

Cooperation with the Management Board

Over the course of the 2008 financial year, the Supervisory Board discharged its duties under statutory provisions and the company's articles of association, advised the Manage-



Hans-Werner Marx, Chairman of the Supervisory Board

ment Board and senior staff on a regular basis and evaluated and monitored management's activities. It also conducted an assessment of the company's risk management and compliance procedures and came to the conclusion that the system implemented meets the requirements to the fullest extent. The Management Board and Supervisory Board engaged in dialogue concerning the strategic direction of the company and regularly discussed the status of 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 events that were significant in the assessment of SIMONA's state of affairs and progress 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 16, 2009, 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.

Supervisory Board meetings

The Supervisory Board convened four ordinary meetings over the course of 2008. Following the scheduled election of Supervisory Board members at the Annual General Meeting, the extraordinary Supervisory Board meeting convened on June 27, 2008, focused on the appointment of a new Chairman and Deputy Chairman of the Supervisory Board as well as the formation of a Personnel Committee and an Audit Committee. The focus of the meeting held on February 25, 2008, was on the concluding report prepared by the Management Board for the 2007 financial year and the outlook as well as the investment plan for the 2008 financial year. Furthermore, the Supervisory Board informed itself of the course of business in the United States as well as the situation with regard to the new facilities in Litvinov/Czech Republic and Jiangmen/China. The Supervisory Board also debated the list of recommendations put forward by management for the election of the new Supervisory Board at the Annual General Meeting. In the meeting of April 15, 2008, the Supervisory Board discussed the consolidated financial statements, the annual financial statements of the parent as well as the Group management report and the management report of SIMONA AG for the 2007 financial year, the proposal by the Management Board for the appropriation of distributable profit generated in the 2007 financial year and the result of the year-end audit conducted by Ernst & Young AG, Wirtschaftsprüfungsgesellschaft. The meeting was attended by the auditor, who reported in detail on the results of the audit. 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 examination in full, the Supervisory Board raised no objections to the annual financial statements of the parent and consolidated financial statements or the management report and Group management report for the 2007 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). Other items on the agenda for this meeting included determining the agenda for the Annual General Meeting on June 27, 2008, and coordinating the date of the Annual General Meeting in 2009. Additionally, the Management Board reported on the course of business during the first quarter of 2008 and on developments in the United States, China and the Czech Republic. The Supervisory Board also approved a supplement to the investment plan. In its meeting of July 24, 2008, the Supervisory Board discussed the report by the Management Board on business during the first half of 2008 as well as the outlook for the second half. Other items on the agenda included reports on subsidiaries and the facility in Würdinghausen. The principal topics discussed at the meeting on October 30, 2008, were the course of business up to the third quarter and future performance against the backdrop of the financial and economic crisis. Furthermore, the Supervisory Board informed itself of important strategic projects as well as developments in the United States, China, the new plant in Litvinov and the facility for finished parts in Würdinghausen.

Changes to the composition of the Supervisory Board and the committees

Upon conclusion of the General Meeting of Shareholders on June 27, 2008, the term in office of the four incumbent members of the Supervisory Board elected by the shareholders of the Company came to an end. Based on the proposal by the Supervisory Board, on June 27, 2008, the Annual General Meeting of Shareholders elected the following gentlemen onto the Supervisory Board for a term of four years: Roland Frobel, Dr. Rolf Gößler, Hans-Werner Marx and Dr. Roland Reber. In addition, the Supervisory Board of SIMONA AG includes Bernd Meurer and Karl-Ernst Schaab as employee representatives. Hans-Wilhelm Voss left the Supervisory Board. At its first meeting on June 27, 2008, the new Supervisory Board elected Hans-Werner Marx as its Chairman and Dr. Rolf Gößler as its Deputy Chairman. The members of the Supervisory Board are listed on page 71.

At its meeting on June 27, 2008, the new Supervisory Board also elected an Audit Committee and a Personnel Committee. The Audit Committee and the Personnel Committee are each comprised of three Supervisory Board members. Both committees are chaired by Hans-Werner Marx. Until the election of the new Supervisory Board, Hans-Wilhelm Voss was the chairman of both committees.

Committee work

The Supervisory Board is assisted by the Audit Committee and Personnel Committee. Both committees regularly provide the Supervisory Board with extensive information relating to their activities. The Audit Committee is responsible mainly for addressing issues relating to accounting and year-end auditing, risk management and acquisitions. The principal duties of the Personnel Committee are centred around compensation as well the conclusion, amendment and termination of Management Board members' employment contracts. The Audit Committee convened on five occasions during 2008. In particular, it dealt with the financial statements of the parent company and the consolidated financial statements of the Group, as well as risk management and the review of the internal control system. The Audit Committee also reviewed the half-yearly and quarterly results and prepared the proposal by the Supervisory Board for the appointment of the independent auditor for the 2008 financial year, to be put forward to the Annual General Meeting of Shareholders, as well as determining the focal points of the audit. Furthermore, the Audit Committee discussed the issue of capacity utilisation at the facilities in the United States and in China, as well as the plant for finished parts in Würdinghausen. Other items on the agenda included analyses of the market and competitive environment, the review of additional investments as well as the strategic direction of the company. The main issue addressed by the Personnel Committee in 2008 was that of determining remuneration levels for the members of the Management Board. Additionally, it discussed the variable component of compensation on the basis of the compensation model

introduced in 2007. The Personnel Committee also prepared a five-year extension of the contract with the Chairman of the Management Board. The Personnel Committee informed the Supervisory Board of the extension of the Management Board member's contract.

Annual financial and consolidated financial statements

The accounts of SIMONA AG for the 2008 financial year were audited by Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Frankfurt, appointed as auditor by the General Meeting of Shareholders on June 27, 2008. 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 management 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 Supervisory Board would like to thank the Management Board and all employees within the Group for their exceptional level of commitment. Operating within an increasingly difficult business environment, they made an outstanding contribution during 2008. The Supervisory Board would also like to express its gratitude to the Group's customers and business partners.

Kirn, 23 April 2009

A handwritten signature in blue ink, appearing to be 'H. Marx', is written over a horizontal line.

The Supervisory Board
Hans-Werner Marx, Chairman

Corporate Governance Report by 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 6, 2008. 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 the General Meeting of Shareholders

“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 shareholders 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 imple-

ment procedures relating to the request for approval to electronic notifications.

D&O 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

“At the proposal of the committee dealing with Management Board contracts, the full Supervisory Board shall resolve and regularly review the Management Board compensation system including the main contract elements.”

The Personnel Committee within the Supervisory Board is responsible for dealing with contracts concerning the Management Board. It also resolves and reviews the compensation systems relating to the Management Board, including the main contract elements.

The Personnel Committee regularly and comprehensively informs the Supervisory Board about its work.

“The monetary compensation elements shall comprise fixed and variable elements. The variable compensation elements should include one-time and annually payable components linked to the business performance as well as long-term incentives containing risk elements. All compensation components must be appropriate, both individually and in total. In particular, company stocks with a multi-year blocking period, stock options or comparable instruments (e.g. phantom stocks) serve as variable compensation components with long-term incentive effect and risk elements.” 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 shall 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 shall 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 shall not exceed 150 % 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 manner that is generally understandable.”

The compensation report is an integral part of the management report.

“Members of the Supervisory Board shall receive fixed as well as performance-related compensation. Performance-related compensation should also contain components based on the long-term performance of the enterprise. The 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 2008 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 shall have specialist knowledge and experience in the application of accounting principles and internal control processes. He 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 counter-productive.

"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 their treatment. 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/her mandate."

On June 27, 2008, Dr. Roland Reber was re-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

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.

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2008 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 and Asian markets. At the end of 2008 construction work on two new production plants was completed in Jiangmen, China, and Litvinov, Czech Republic. Litvinov is the first multifunctional production facility within the SIMONA Group. Fiscal 2008 saw the start of partial operations at this site. There were no production activities in Jiangmen during 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 are centred around product areas (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, both directly and via trading partners. 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). Georg Fischer SIMONA Fluoropolymer Products GmbH was deconsolidated effective from January 1, 2008. As at December 31, 2008, 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), Detlef Becker (since April 1, 2008), Jochen Feldmann and Dirk Möller. On June 27, 2008, scheduled elections were held by the Annual General Meeting for the four Supervisory Board members to be appointed by the company's shareholders. In 2008, the Supervisory Board included Hans-Wilhelm Voss (Chairman, until June 27, 2008), Hans-Werner Marx (Deputy Chairman, until June 26, 2008/Chairman, since June 27, 2008), Roland Frobel, Dr. Roland Reber and Dr. Rolf Gößler (since June 27, 2008/Deputy Chairman) as shareholder representatives and, as in the previous year, Bernd Meurer and Karl-Ernst Schaab as staff representatives. Hans-Wilhelm Voss left the Supervisory Board effective from June 27, 2008.

1.2. Business Review

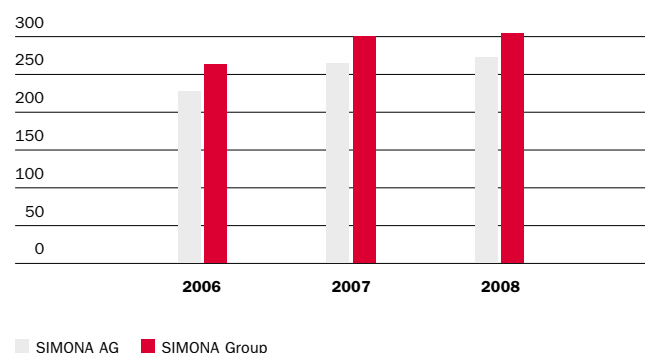
Revenue growth dampened by financial crisis

Up until and including the third quarter of 2008 SIMONA achieved revenue growth of around 4.5 per cent. In the fourth quarter, however, the Group felt the full force of the economic downturn precipitated by the global financial crisis. Within this context, the effects of economic slowdown were particularly evident in the chemical industry and the mechanical engineering sector. As a result both order intake and revenue contracted significantly. In the fourth quarter, revenue was 8.7 per cent down on the previous year's fourth-quarter figure. However, buoyed by its favourable performance in the first three quarters of 2008, the Group managed to edge beyond the sales record set in the previous financial year. Compared with the previous year, Group revenue rose by €3.8 million to €303.7 million in 2008. This corresponds to a year-on-year increase of 1.3 per cent. The parent company, SIMONA AG, increased its revenue by 2.1 per cent to €271.2 million.

Germany

In Germany, the severe fourth-quarter slump in sales generated through business within the chemical and mechanical engineering sector led to a slight fall in total revenue. Sales revenue declined by €2.8 million to €112.1 million, which corresponds to a year-on-year contraction of 2.4 per cent. As a sales region, Germany accounted for 36.9 per cent of total revenue, down from 38.3 per cent a year ago. There was evidence of key customer sectors and the economy as a whole losing momentum as early as the second quarter of 2008, but despite these adverse conditions SIMONA managed to achieve significant growth in sales revenue over the course of the first three quarters. By contrast, growth within the German economy was moderate in 2008. Price-adjusted GDP was just 1.3 per cent higher than in the previous year, while GDP growth had stood at 2.5 per cent in 2007. The impact of the financial and eco-

Revenue performance SIMONA AG – SIMONA Group (in € m)



omic crisis became increasingly tangible from the second quarter of 2008 onwards. Indeed, the economy as a whole only managed to produce quarter-on-quarter growth in the first three months of the year. At –0.5 per cent, the economic downturn was still relatively moderate in the second and third quarters. By contrast, economic output for the fourth quarter was 2.1 per cent down on the previous quarter – the most significant decline since German reunification. Over the course of 2008 the only real stimulus came from domestic demand, the emphasis being on equipment (+5.3 per cent) and construction-related investments (+2.7 per cent). Declining by 0.3 percentage points, net exports had a dampening effect.

Trends within the key customer sectors were dominated to a large extent by the encroaching financial and economic crisis.

The mechanical and plant engineering industry recorded its fifth year of successive growth, with production expanding by an estimated 5 per cent in 2008. However, this was driven solely by a strong performance in the first quarter. Growth began to wane as early as the second quarter, and orders in the third quarter were down on the figure posted a year earlier. In December alone, order intake within this sector declined by 30 per cent compared to the preceding month.

After a strong start to the year, the chemical industry lost its forward momentum very early on. Given the significant fall in production output since November, it seems unlikely that this sector generated any growth in the annual period as a whole. With the exception of the pharmaceutical sector, all segments within the chemical industry were affected in equal measure by the downturn. Against this backdrop, major chemical companies announced the closure of entire production sites.

International trade fairs hosted in Germany remained buoyant in 2008, with initial estimates suggesting a rise of 3.5 per cent in exhibition space bookings and visitor numbers.

The German construction industry recorded moderate growth in 2008. Construction-related investments rose by 2.7 per cent to €219 billion. Within this context, commercial construction proved to be the principal growth driver, expanding by more than 7 per cent. Public-sector construction was more subdued, recording growth of 2.2 per cent, while the residential construction sector expanded by a mere 0.7 per cent.

Operating within a difficult market environment, the plastics processing industry recorded slight growth, with industry revenue increasing by 2 per cent to €54 billion. Within this segment the plastic packaging industry generated the most pronounced growth of 6 per cent. Manufacturers of plastics-based building products recorded growth of 2.5 per cent, while consumer goods producers expanded by 2 per cent. The financial and economic crisis had a dramatic effect on manufacturers of technical parts for the automobile and electronics industry, with revenues declining by 3.5 per cent. This was attributable to the severe slump in order intake in the final quarter of 2008, prompted mainly by sluggish foreign demand. Within this context, the growth markets of Eastern Europe and Asia contracted heavily. As a result, non-domestic revenue generated by the plastics processing industry declined for the first time in many years (–1 per cent).

Europe and Africa

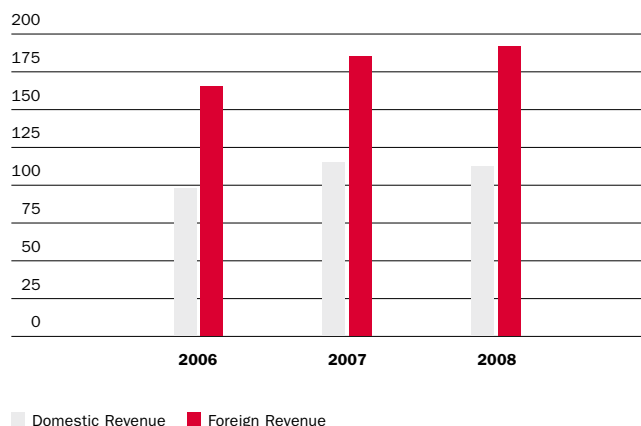
The financial and economic crisis had a noticeable impact on the European economy in 2008. Economic growth in the eurozone stood at just 0.7 per cent (2007: 2.7 per cent), and the EU27 recorded growth of 0.9 per cent (2007: 2.9 per cent). Africa also had to contend with a significant slowdown in growth to 5.2 per cent (2007: 6.2 per cent).

Despite this challenging market environment, revenue growth in Europe (excluding Germany) and Africa was more pronounced than that achieved in terms of total revenue. Sales revenue stood at €158.3 million, compared to €151.3 million in the previous year. This corresponds to an increase of 4.6 per cent and is attributable mainly to the as yet stable order situation in Europe within the area of chemical tank and apparatus building. By contrast, demand in Eastern Europe declined significantly in the fourth quarter.

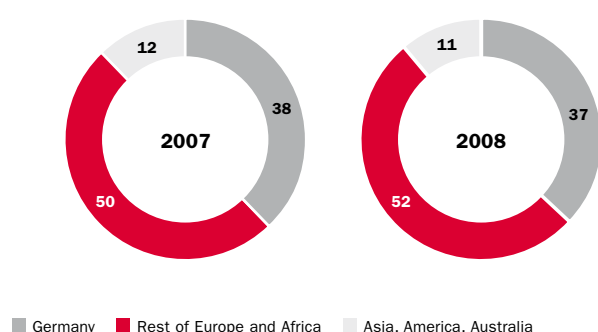
America, Asia and Australia

Our markets in Asia and North America were severely buffeted by the financial and economic crisis. In the United States, economic growth fell to 1.1 per cent (2007: 2 per cent). At the same time, the newly industrialised Asian

Development of Revenue SIMONA Group (in € m)



SIMONA Group Revenue by region (in %)



economies only managed to grow by 2.1 per cent in 2008, compared to 5.6 per cent in 2007. Despite these developments, SIMONA managed to achieve significant revenue growth in Asia over the course of the first three quarters. Business performance in North America was adversely affected by sluggish demand and continuing structural problems. As a result of the dramatic slump in demand in the fourth quarter, total sales revenue in Asia remained largely unchanged year on year at €34.6 million, compared to €34.5 million a year ago.

Positive trend for semi-finished products – slight decline in revenue for pipes and fittings

The main revenue drivers within the area of semi-finished products were profiles, finished parts and extruded sheets made of PE. Within this context, the decision to expand SIMONA's product range by including finished parts in the overall portfolio proved well-judged from a strategic perspective, as this allows the company to market itself as a high-end system supplier within the chemical and mechanical engineering market. Within the area of pressed sheets, SIMONA focused mainly on customised applications and high-margin products, thus accepting the potential decline in volume. At 2.9 per cent, sales revenue within the area of semi-finished products grew faster than total revenue.

Having recorded significant growth in recent years, piping systems had to contend with a slight fall in revenue in the period under review. By contrast, business within the area of fittings expanded considerably in 2008. In parallel, the company managed to achieve gains in the field of international project business for new applications such as geothermal power. However, sales of standard pipes were down, with revenue falling from €87.6 million a year ago to €85.7 million in 2008. This corresponds to a decline of 2.2 per cent.

Product development based on customer-driven requirements

Within the area of R&D, SIMONA continued to advance its product development activities based on individual customer requirements. A case in point is the new PVC foam sheet developed by SIMONA, featuring a density of well under 0.5 g/cm³, while the standard mechanical and surface properties have been largely retained. Following a successful launch by the company, it is now being marketed as SIMOPOR-ULTRALIGHT. In the period under review, product development activities were also centred around the inclusion of specific functions such as antibacterial properties. Key achievements within the area include an antibacterial PVC-CAW for wall panels and a SIMOLUX product tailored to the requirements of the orthopaedics industry. Within the pipes and fittings segment, the company rolled out a new product family by the name of SIMOFUSE®, which features integral electrofusion spirals for the tight and permanent joining of pipes and fitting. Investments in extruder technology paved the way for new pipe dimensions in diameters up to 1,200 mm. In launching GEO-Line, SIMONA introduced a major product innovation in the area of piping systems for geothermal energy applications. The second generation of twin-wall sheets developed back in 2007 was successfully rolled out during 2008 and marketed in new fields of application. In collaboration with the Landesgewerbeanstalt Nürnberg (LGA), SIMONA

developed a software application for the structural calculation of tanks made of twin-wall sheets; it is currently being used as a sales support tool.

Testing in connection with the official certification for PP-DWU AlphaPlus® – a new product line within the company's portfolio – from the Deutsches Institut für Bautechnik (DIBt) has been completed, which makes SIMONA the only manufacturer of semi-finished products with a DIBt-approved compound for a PP-H material.

Research and development expenses are mainly comprised of staff costs, material costs and depreciation/amortisation of non-current assets. Owing to the interrelationship 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

Stable EBIT

Earnings before interest and taxes (EBIT) rose by €0.1 million to €19.8 million in 2008. At 6.5 per cent, the EBIT margin was slightly down on last year's figure, as well as falling just short of the minimum target of 7 per cent.

The significant rise in commodity prices continued up to the end of the third quarter. However, the fourth quarter marked the beginning of visible price adjustments within the area of standard polymers. As a result, total expenditure on production supplies and materials was scaled back slightly. The cost of materials fell by 4.6 per cent to €166.9 million. Within the parent company (AG), the costs associated with energy and water rose by a further €0.8 million in 2008, on the back of a significant rise in 2007.

Due to lower expenses associated with production supplies and materials and a stronger focus on high-margin products, the Group's gross profit margin rose by €12 million to €137.3 million.

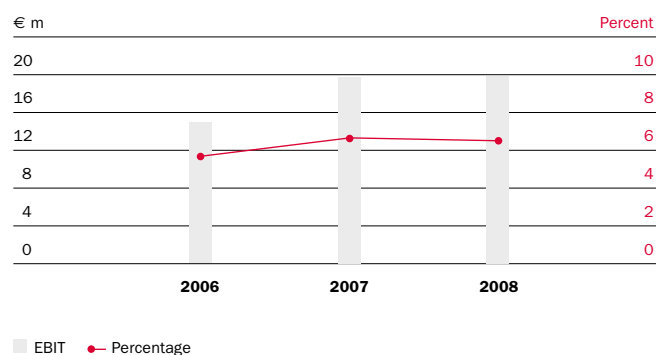
As a result of adjustments within the area of commodity prices at the end of 2008 and a targeted reduction in stock levels, the carrying amount for finished goods and work in progress was €7.8 million down on last year's figure. Foreign currency gains, in particular, contributed to an increase in other operating income by €3.9 million to €8.6 million.

Staff costs rose slightly to €58.2 million in 2008. Within this context, expenses attributable to wages and salaries edged up by €0.3 million to €46.3 million, whereas expenses relating to social security and post-employment benefits fell by €0.2 million.

Other operating expenses increased by €3.0 million.

Due to inventory write-downs prompted by the decline in commodity prices in the fourth quarter and as a result of the difficult business climate created by the financial and economic crisis, earnings in America were negative. 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

EBIT SIMONA Group



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 €19.8 million, resulting in an EBIT margin of 6.5 per cent. EBITDA at Group level declined slightly year on year to €32.3 million (2007: €32.5 million), with depreciation and amortisation remaining largely unchanged. The EBITDA margin was 10.6 per cent (2007: 10.8 per cent).

3. Financial Assets and Liabilities

The financial assets mainly comprise cash and short-term bank deposits totalling €48.4 million. In addition, the Group has recognised €0.6 million in foreign currency options at fair value.

In 2008, non-current financial liabilities rose by €3.5 million to €8.5 million as a result of a US\$5 million loan taken out by the company, the principal being due at the final maturity date. The annuity loan was extinguished by US\$0.3 million as scheduled. Other financial liabilities alongside current financial liabilities amount to €0.4 million in connection with interest rate swaps. Interest rate swaps are designed to hedge the risk of a change in the fair value of US dollar loans.

Other financial obligations include €4.5 million from rental and lease agreements. Of this total, an amount of €1.4 million is due within one year. A total of €5.3 million in current obligations is attributable to investment projects already initiated.

Based on finance income of €1.0 million and finance cost of €0.6 million, net finance income amounted to €0.4 million in 2008.

4. Financial Position

Investments expanded

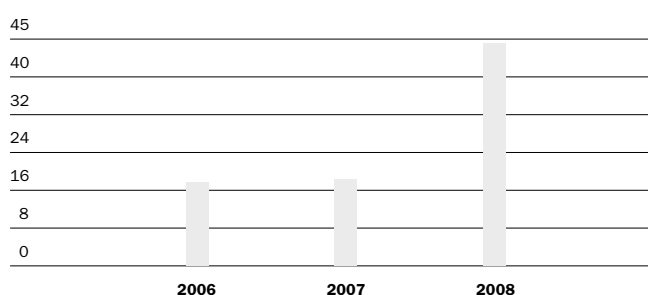
As at December 31, 2008, total assets of the SIMONA Group amounted to €244.8 million, which represents a year-on-year increase of €11 million. This was mainly attributable to more extensive assets under construction following investments in China and the Czech Republic as well as higher cash holdings. In terms of equity and liabilities, other revenue reserves were higher at the end of the reporting period, as were non-current financial liabilities as a result of a new US\$ loan whose principal is due at the final maturity date.

Over the course of 2008, investments aimed at expanding and modernising the company's production facilities were stepped by significantly. In total, an amount of €21.2 million was invested in property, plant and equipment, compared to €13.8 million in 2007. The main emphasis was on the new plants in the Czech Republic and China as well as additional investments in process technology within the area of injection moulding and a machine for the extrusion of pipes up to a diameter of 1,200 mm. Funds were also invested in a calender and a sheet processing unit. The additions to intangible assets were mainly attributable to software licences.

Other financial assets comprise capitalised corporation tax credits of SIMONA AG amounting to €5.6 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, 2008, in an amount equivalent to the present value.

Cash flow from operating activities

(in € m)



Inventories declined both in terms of volume and value; the fall in volumes was due to stock reductions in response to lower sales in November and December 2008, while the lower carrying amount was attributable to the significant decline in commodity prices. Production supplies and materials, for instance, fell by €4.2 million in the period under review. Finished goods and merchandise contracted by €7.8 million.

Trade receivables declined by €6.1 million to €41.3 million due to less buoyant business in the fourth quarter.

Cash resources increased by €25.6 million to €48.4 million. SIMONA significantly increased its net cash from operating activities in 2008, as discussed in greater detail in the Statement of Cash Flows in the notes to the financial statements. Group liquidity was safeguarded at all times during the period under review.

Trade payables fell by €4.6 million at the end of the reporting period due to the reduction in stock levels.

Equity rose significantly by €9.3 million to €157.6 million, mainly as a result of consolidated profit for the year (€13.9 million) – with dividend payments amounting to €5.1 million in fiscal 2008. Thus, the equity ratio increased from 63.5 to 64.4 per cent.

5. Events after the Reporting Date

There were no events of material significance to the state of affairs of the SIMONA Group in the period between the end of the 2008 financial year and the preparation of this management report. Beyond this and in accordance with statutory provisions, interim announcements will be issued during 2009, 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. The establishment of own production facilities in China and the Czech Republic will help us to 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 has helped to scale back risks within this area. What is more, the start of production at our new plant in China will further mitigate foreign exchange risks. In addition, SIMONA AG addresses the issue of currency risk to the largest extent possible by deploying hedging instruments. SIMONA will be exposed mainly to economic and sector-specific risks in 2009. The reces-

sionary trends seen in the majority of the company's key sales markets and regions are likely to be a dominant force in terms of revenue and earnings performance in 2009. Price risks relating to raw materials are again likely to be of particular significance in 2009.

As the market situation becomes more challenging, the risk of default is likely to become more pronounced. 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.

At the end of the 2008 financial year, we are of the opinion that the risk situation for the company has deteriorated compared to the previous year due to the factors outlined above.

7. Report on Expected Developments

Global recession

Overall, 2009 is likely to be the most challenging year for the world economy since the end of the Second World War. The International Monetary Fund has forecast global economic growth of just 0.5 per cent. With this context, all industrialised economies will have to contend with recessionary trends. In Germany, the decline in GDP is projected to be between 2.5 and 7 per cent. Exports, in particular, are expected to contract dramatically. In January 2009 alone, the volume of exports was 20.7 per cent lower than in the same month a year ago. Within this context, the chemical and mechanical engineering sectors in particular had to contend with a significant fall in orders. What is more, financing has become increasingly difficult for compa-

nies as a result of the financial crisis, which is also likely to have an adverse effect on their propensity to invest. Against this backdrop, competition within our product segments will become much more intense.

Strong decline in order intake

SIMONA is bracing itself for a very difficult year, having already recorded a significant contraction in sales revenues since November 2008. This trend remained unchanged over the first two months of 2009. At present, it is difficult to predict with any certainty the future course of events. There can be no doubt, however, that the global economy is facing one of its most severe recessions. In order to cushion the decline in production output, SIMONA announced short-time work as from March 1, 2009, which will initially remain in place until the end of 2009. These measures will be implemented to varying degrees at all German locations. In addition, the company will pursue a strict cost-reduction policy.

Targeting positive EBITDA

Owing to the current economic situation and lower sales prices in response to contracting commodity prices, SIMONA AG is anticipating a significant decline in revenues for the 2009 financial year as a whole. Operating within this challenging environment, SIMONA is looking to achieve revenue of at least €200 million. This forecast is based on the assumption that business in the second half of the year is more favourable than in the first. Having extended the product range to include finished parts and established itself as a premium supplier, SIMONA is well positioned to meet the requirements of its key customer groups in the chemical and mechanical engineering sectors – and to retain clients and attract new ones regardless of the current crisis. In developing new products and unlocking new areas of application within the field of piping systems, we have raised our profile and strengthened our position within the international arena.

Against the backdrop of extremely adverse economic conditions, SIMONA is targeting positive EBITDA and a positive cash contribution for 2009. There is, however, the possibility of a loss before taxes.

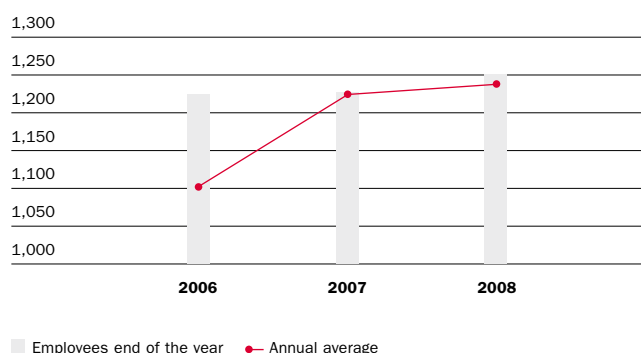
Given the high degree of uncertainty associated with the global financial markets and real economy, it is at present impossible to provide an outlook on business performance for 2010. Having said that, SIMONA anticipates that the economy will improve only slightly in 2010, advancing gradually from a weak base in 2009.

8. Other Information

Employees

The SIMONA Group increased its staffing levels in 2008. New jobs for highly qualified staff were created in particular at an international level through the start-up of facilities in Litvinov, Czech Republic, and Jiangmen, China. In total, 1,251 people were employed at the end of the 2008 financial year, which was 24 more than at the 2007 year end. The average headcount was 1,237. Staffing trends at the respective sites throughout the Group are a reflection of the strategy pursued by SIMONA when it comes to international expansion. In Asia and North America the number of personnel rose from 87 to 99 as at December 31, 2008. At the end of 2008, 139 staff members – 30 more than at the end of 2007 – were employed at our European subsidiaries, with the year-on-year increase being attributable mainly to the new facility in the Czech Republic. The number of employees at the parent company (AG) declined by 18 to 1,013. By contrast, the apprenticeship programme was further expanded beyond the high level already reached in 2007. At the end of 2008, 65 (previous year: 63) young people were in apprenticeships relating to various technical or commercial disciplines. In 2008, 20 apprentices successfully completed their vocational training with the company. The majority of vocational trainees are

Employees SIMONA Group



offered positions within SIMONA upon completion of their apprenticeships. In total, 15 apprentices were offered positions with the company in 2008. Two 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 Ludwigs-hafen.

Within the area of HR development, the main emphasis in 2008 was on improving our employees' foreign-language skills. We also expanded our internal development programme with cross-departmental lectures and subject-specific product and application workshops. Our management teams were given the opportunity to take part in personal development seminars aimed at enhancing their leadership skills; in other areas, we offered training for MS Office applications.

As regards the company-wide roll-out of SAP, our focus in 2008 was on optimising processes at all sites and executing sub-projects for the purpose of integrating SAP at our subsidiaries. On July 1, 2008, SAP was introduced at SIMONA IBERICA SEMIELABORADOS S.L. Additionally, the production sites in Litvinov, Czech Republic, and Jiangmen, China, as well as our subsidiary in France, including associated warehouse locations, were connected to the SAP

system. On January 1, 2009, we also completed sub-project 1 for SAP integration at SIMONA AMERICA Inc., which included the modules Finance and Purchasing.

Quality and environmental management

One of the declared goals of SIMONA is to ensure sustained quality throughout the Group. The high standard of our management system was confirmed by the recertification of our quality and environmental management processes at all domestic production sites in December 2008. The audits by TÜV Süd were conducted without any departures.

For the first time, our Würdinghausen facility was included fully in this certification process with regard to quality and environmental management.

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 continue to be essential tools used for the purpose of improving products and processes. Preparations will also be made for the audit of our new production facility in Litvinov in December 2009. We are committed to ensuring that our customers are supplied with consistently high products and services from all sites operated by the company. As regards our certified "Automotive" QM systems, we are currently in the process of conducting extensive quality plans for new products associated with plastic tanks made of coextruded PE sheets, the aim being to meet the high standards of our customers for these products manufactured on the basis of high-end SIMONA technology.

The company also continued to pursue its measures within the area of environmental management. SIMONA's high standards with regard to energy saving and reduction or efficient use of production waste are closely monitored and improved where feasible.

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-Werner Marx, Chairman of the Supervisory Board, as well as the Deputy Chairman of the Supervisory Board Dr. Rolf Gößler and the Supervisory Board member Roland Frobel. 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 2008.

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 calculated on the basis of the company's earnings performance. Total compensation for the Management Board amounted to €1,448 thousand (previous year: €1,081 thousand). This increase was attributable principally to the appointment of a fourth Management Board member effective from April 1, 2008. Total compensation comprises €908 thousand (previous year: €691 thousand) in fixed-level compensation and €540 thousand (previous year: €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 € 795 thousand (previous year: € 782 thousand). Pension provisions for active and former members of the Management Board were recognised to the full extent and amounted to € 11,079 thousand as at December 31, 2008 (previous year: € 10,073 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 compo-

nent 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 27, 2009, no such resolution for variable compensation components was passed for the 2007 financial year.

Supervisory Board compensation for 2008 amounted to € 122 thousand (previous year: € 128 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 end of the reporting 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 (Kirn), 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 10.1 per cent interest by Rossmann Beteiligungs GmbH (Burgwedel) and a 10.0 per cent interest by SIMONA Vermögensverwaltungsgesellschaft mbH (Kirn). The remaining 15.39 per cent of shares in the company are in free float.

As at June 27, 2008, 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 27, 2008, members of the newly appointed Supervisory Board held a total of 2,320 shares. This corresponds to 0.39 per cent of total share capital.

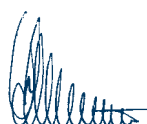
Closing statement

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, 26 March 2009



Wolfgang Moyses



Dirk Möller



Jochen Feldmann



Detlef Becker

Group Income Statement of SIMONA AG

| in € '000 | Notes | 01/01 – 31/12/08 | 01/01 – 31/12/07 |
|--------------------------------------------------------------------------------------------------------------------------|------------|---------------------|---------------------|
| Revenue | [9] | 303,651 | 299,881 |
| Other operating income | | 8,614 | 4,694 |
| Changes in inventories of finished goods | | –8,035 | 4,813 |
| Cost of materials | | 166,901 | 174,942 |
| Staff costs | [10] | 58,229 | 58,130 |
| Depreciation of property, plant and equipment, and amortisation of intangible assets | [17], [18] | 12,477 | 12,805 |
| Other operating expenses | | 46,826 | 43,788 |
| Interest income | [13] | 1,024 | 763 |
| Interest expense | [13] | 572 | 653 |
| Profit before income taxes | | 20,249 | 19,833 |
| Taxes on income | [14] | 6,321 | 5,688 |
| Profit for the year | | 13,928 | 14,145 |
| of which attributable to: | | | |
| owners of the parent | | 13,920 | 14,118 |
| minority interests | | 8 | 27 |
| Earnings per share | | | |
| in € | | | |
| – basic, calculated on the basis of profit for the year attributable to ordinary shareholders of the parent company | [15] | 23.20 | 23.53 |
| – diluted, calculated on the basis of profit for the year attributable to ordinary shareholders of the parent company | [15] | 23.20 | 23.53 |

Group Balance Sheet of SIMONA AG

| Assets in € '000 | Notes | 31/12/08 | 31/12/07 |
|--------------------------------------------------------|-------|----------------|----------------|
| Intangible assets | [17] | 1,498 | 2,524 |
| Property, plant and equipment | [18] | 95,601 | 85,735 |
| Financial assets | | 23 | 23 |
| Non-current tax assets | | 4,844 | 5,348 |
| Deferred tax assets | [14] | 276 | 545 |
| Non-current assets | | 102,242 | 94,175 |
| Inventories | [19] | 43,709 | 55,679 |
| Trade receivables | [20] | 41,345 | 47,449 |
| Other assets and prepaid expenses | [21] | 8,426 | 9,191 |
| Derivative financial instruments | | 607 | 338 |
| Cash | [22] | 48,432 | 22,875 |
| Assets of a disposal group classified as held for sale | [7] | 0 | 4,082 |
| Current assets | | 142,519 | 139,614 |
| Total assets | | 244,761 | 233,789 |

| Equity and liabilities in € '000 | Notes | 31/12/08 | 31/12/07 |
|----------------------------------------------------|-------|----------------|----------------|
| Issued capital | | 15,500 | 15,500 |
| Capital reserves | | 15,274 | 15,274 |
| Revenue reserves | | 128,092 | 118,833 |
| Other reserves | | -1,430 | -1,499 |
| Equity attributable to owners of the parent | | 157,436 | 148,108 |
| Minority interests | | 211 | 227 |
| Equity | [23] | 157,647 | 148,335 |
| Financial liabilities | [24] | 8,514 | 4,991 |
| Provisions for pensions | [25] | 35,929 | 35,025 |
| Other provisions | [27] | 6,825 | 6,221 |
| Other liabilities | | 216 | 258 |
| Deferred tax liabilities | [14] | 7,089 | 8,074 |
| Non-current liabilities | | 58,573 | 54,569 |
| Financial liabilities | [24] | 350 | 305 |
| Provisions for pensions | [25] | 1,576 | 1,496 |
| Other provisions | [27] | 5,957 | 3,457 |
| Trade payables | | 7,373 | 11,978 |
| Income tax liabilities | | 2,250 | 554 |
| Other liabilities and deferred income | | 10,655 | 11,787 |
| Derivative financial instruments | | 380 | 179 |
| Liabilities related to assets held for sale | [7] | 0 | 1,129 |
| Current liabilities | | 28,541 | 30,885 |
| Total liabilities and equity | | 244,761 | 233,789 |

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 consolidated financial statements of SIMONA AG for the financial year ended December 31, 2008, were released by the Management Board on the basis of a resolution passed on March 26, 2009, for the purpose of forwarding them to the Supervisory Board.

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 (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 U.K. Ltd., 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., Kwdizyn/Poland), the Czech Republic (SIMONA-PLASTICS CZ, s.r.o., Prague/Czech Republic), Hong Kong (SIMONA FAR EAST Ltd., Hongkong/China), China (SIMONA ENGINEERING PLASTICS TRADING Co., Ltd., Shanghai/China) and the United States (SIMONA AMERICA Inc., Hazleton/USA).

[2] Accounting policies

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, 2008, 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 315 a (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 2008 financial year.

The consolidated financial statements consist of the financial statements of SIMONA AG and its subsidiaries as at December 31 of each financial year (hereinafter also referred to as “Group” or “SIMONA Group”).

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.

[3] New financial reporting standards

[3.1] Accounting standards applicable for the first time in the financial year

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) issued the following revised accounting standards in 2007 and 2008. These standards shall be applied by the company for the 2008 financial year on the basis of their adoption by the European Union (Endorsement Procedure):

- IAS 39 "Financial Instruments: Recognition and Measurement" (amended as regards reclassification of financial instruments classified as held for trading)
- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions"
- IFRIC 12 "Service Concession Arrangements"

The initial application of these standards will not have any significant effect on the financial performance, financial position or cash flows of the Group.

[3.2] Issued standards and interpretations which have not yet been applied (EU endorsement completed)

The IASB and IFRIC issued the following Standards and Interpretations which have already been adopted by the European Union as part of the comitology procedure but whose application was not yet mandatory in the 2008 financial year. The Group will not apply these Standards and Interpretations for an earlier period.

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 pro-

vision in IAS 14 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. The application of IFRS 8 will have an effect on the presentation of the Group's segment reporting.

IAS 23 Borrowing Costs

The revised Standard IAS 23 was issued in March 2007 and must be applied by entities for annual periods beginning on or after January 1, 2009. Having eliminated the option formerly available under IAS 23, the Standard requires that an entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Standard stipulates a prospective application of the amendments. As the Group does not hold any qualifying assets, the application of this standard will not have any effect on the consolidated financial statements.

IAS 1 Presentation of Financial Statements

The revised Standard IAS 1 was issued in September 2007 and must be applied by entities for annual periods beginning on or after January 1, 2009. The revised version of the Standard contains significant amendments to the presentation and classification of financial information within financial statements. In future, the statement of changes in equity will only include transactions with equity holders acting in their capacity as equity holders. The other changes

in equity are to be presented in a statement of comprehensive income; within this context, details may be presented either in a single statement of comprehensive income or in two statements: a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income). Additionally, under this Standard entities are obliged to provide a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. The new standard will have an effect on how the Group's financial information is reported. However, it will not have any impact on the recognition and measurement of assets and liabilities within the consolidated financial statements.

Amendments to IFRS 1 and IAS 27 – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendments to IFRS 1 and IAS 27 were issued in May 2008 and are to be applied for annual periods beginning on or after January 1, 2009. According to the amendments to IFRS 1, an entity may measure its investment in a subsidiary, jointly controlled entity or associate in its opening IFRS statement of financial position either by using the previous GAAP carrying amount or the fair values as an alternative to cost (so-called "deemed cost"). The amendments to IAS 27 relate only to the separate financial statements of the parent, stipulating that all dividends of subsidiaries, jointly controlled entities or associates be recognised in profit or loss. The transition provisions require that the amendments be applied prospectively. As the regulations for the initial application of IFRS and the provisions governing separate financial statements do not relate to the Group, this amendment will have no effect on the consolidated financial statements.

Improvements to IFRS 2008

The amendments to IFRS arising from the 2008 improvements project were issued in May 2008 and – with the exception of IFRS 5 (as from July 1, 2009) – are to be applied for annual periods beginning on or after January 1, 2009. The 2008 improvements project introduced a number of substantive amendments with a direct impact on accounting and measurement, as well as several changes of a purely editorial nature. As part of the editorial changes, for example, specific definitions and the wording of some passages were amended in order to ensure consistency with other IFRSs. The Group anticipates that – with the exception of those regulations expressly referred to herein – the new regulations associated with the Improvements Project will not have any significant effect on the financial statements. The following amendments have not yet been applied by the Group:

- **IAS 36 Impairment of Assets:** The amendment introduces a consistent approach to the disclosure of the method used to determine value in use and that used to determine fair value less costs to sell; these requirements appeared inconsistent when a similar valuation methodology (discounted cash flows) had been used.
- **IAS 39 Financial Instruments: Recognition and Measurement:** In future, after initial recognition derivatives may, as a result of changed circumstances, be designated as at fair value through profit or loss or eliminated from this category because this does not constitute a reclassification within the meaning of IAS 39. In addition, the term “segment” was deleted from the section dealing with qualifying instruments in connection with hedging. Finally, the Board clarified that the revised effective interest rate shall be applied when measuring a debt instrument on cessation of fair value hedge accounting.

[3.3] Issued standards and interpretations which have not yet been applied (EU endorsement pending)

The IASB and IFRIC issued the following Standards and Interpretations that were not yet applicable in the 2008 financial year. These Standards and Interpretations have yet to be adopted by the European Union and are therefore not applied by the Group.

IFRS 3 Business Combinations

The revised Standard IFRS 3 was issued in January 2008 and must be applied by entities for annual periods beginning on or after July 1, 2009. The Standard was amended extensively as part of the convergence project implemented by the IASB and FASB. The key amendments are centred around the introduction of an option relating to the measurement of minority interests, with a choice between recognition on the basis of the proportionate identifiable net assets (Purchased Goodwill Method) and the so-called Full Goodwill Method, whereby the entire portion of goodwill applicable to the minority shareholder shall be recognised. Other points include the revaluation, with recognition in profit or loss, of any existing ownership interests at the date of initially obtaining control (business combination achieved in stages), the recognition at the acquisition date of any consideration contingent on future events as well as the recognition of transaction costs in profit or loss. The transitional provisions stipulate a prospective application of the amendments. There are no changes in respect of assets and liabilities that arise from business combinations prior to the initial application of the new standards. The amendments will have an effect on the carrying amount of goodwill, on the results of the reporting period in which a business combination has occurred and on future results. In particular, application of the full-goodwill method may result in higher goodwill being recognised.

Amendments to IFRS 7 Financial Instruments: Disclosures

The amendments to IFRS 7 were issued in March 2009 and shall be applied for reporting periods beginning on or after January 1, 2009. The amendments are aimed at improving disclosures with regard to the measurement at fair value as well as liquidity risks. 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. However, additional disclosures may be necessary.

IAS 27 Consolidated and Separate Financial Statements according to IFRS

The revised Standard IAS 27 was issued in January 2008 and must be applied by entities for annual periods beginning on or after July 1, 2009. The amendments relate, primarily, to accounting for non-controlling interests, which in future will participate fully in the losses of the Group, and to accounting for transactions that result in the loss of control in a subsidiary, with any gains/losses being accounted for in profit or loss. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. The transition provisions require that the amendments be applied prospectively. There are no changes in respect of assets and liabilities that arise from such transactions prior to the initial application of the new standards. The amendments will have an effect on future results as well as equity amounts in the case of future acquisitions as well as disposals resulting in the loss of control and transactions with minorities. In future, losses attributable to minorities will be allocated in full even if the amounts reported in connection with minority interests have been fully utilised as a result of a continuing loss situation. The negative amount resulting therefrom is to be disclosed separately within equity. Capitalisation is not possible, as there is no enforceable legal claim to settlement.

Additionally, in the period up to the preparation of the consolidated financial statements the amended versions of IFRS 2 Share-based Payment Vesting Conditions and Cancellations, IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation, IAS 39 Qualifying Items, IFRIC 9 Embedded Derivatives, IFRIC 13 Customer Loyalty Programmes, IFRIC 14 and IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 16 Hedges of a Net Investment in a Foreign Operation, IFRIC 17 Distributions of Non-cash Assets to Owners and IFRIC 18 Transfers of Assets from Customers had been issued. These amendments are not expected to have a significant effect on the financial position, financial performance or cash flows.

[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.

Among other aspects, significant estimates relates to the useful lives of assets.

Material judgement relate to the classification of leases, the recognition of provisions, the estimation or assessment of the recoverability or possible impairment of trade receivables, inventories and deferred tax assets, as well as assessment of factors that may indicate an impairment of assets and the classification of non-current assets held for sale and discontinued operations.

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, 2008, 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.

[5] Summary of significant accounting policies

Interests in a joint venture

Until January 1, 2008, SIMONA AG held an interest in Georg Fischer SIMONA Fluoropolymer Products GmbH, Ettenheim, which until then had been a jointly controlled entity (joint venture). In the previous financial year, the Group accounted for its interest in the joint venture by applying proportionate consolidation. The financial statements of the joint venture were prepared using uniform accounting policies for the same financial year as the financial statements of the parent company. Any differences arising in connection with these accounting policies were eliminated by means of appropriate adjustments.

If the venturer contributed or sold assets to the joint venture, recognition of any portion of a gain or loss from the transaction reflected the substance of these transactions. If the venturer purchased assets from the joint venture, the venturer did not recognise its share of the profits of the joint venture from the transaction until it resold the assets to an independent party.

The joint venture was included in the consolidated financial statements, applying the method of proportionate consolidation, until such time as the control over the joint venture ceased.

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 U.K. 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 2008 or 2007.

Impairment of assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If such indications are present or an annual impairment test of an asset is required, the Group makes an estimate of the recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.

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 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%

of the present value of the defined benefit obligation at that date (before deducting plan assets) and 10% 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.

[6] Business combinations

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:

Fair value at date of acquisition
in € '000

| | |
|----------------------------------------------------|------------|
| 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 2007. 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 as at January 1, 2007.

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

In the consolidated financial statements of SIMONA AG for the financial year ended December 31, 2007, the investment in Georg Fischer SIMONA Fluoropolymer Products GmbH, Ettenheim, was accounted for on a pro-rata basis. In this case, the assets and liabilities were presented separately in a disposal group classified as held for sale.

Effective from January 1, 2008, SIMONA AG, Kirn, disposed fully of its 50% interest held in Georg Fischer SIMONA Fluoropolymer Products GmbH, Ettenheim. Upon disposal of the ownership interest, the investment was no longer accounted for in the consolidated financial statements of SIMONA AG; correspondingly derecognition of this item was performed effective from January 1, 2008.

As at the end of the reporting date of December 31, 2008, the assets included in a disposal group classified as held for sale and as well the liabilities relating to assets held for sale ceased to exist within the Group.

The disposal had the following effect on the consolidated financial statements as at December 31, 2008:

in € '000

| | |
|-----------------------------------------------------------------------------------------------------|--------------|
| Assets of a disposal group classified as held for sale | 4,082 |
| Liabilities related to assets held for sale | -1,129 |
| Liabilities in connection with assets held for sale eliminated as part of the consolidation process | -617 |
| Deferred tax liabilities | -9 |
| Net assets disposed of | 2,327 |
| Purchase price | 3,100 |
| Income from disposal | 773 |

In contrast to the prior-year consolidated financial statements, the consolidated financial statements as at December 31, 2008, includes no expenses and income from the business activities of Georg Fischer Fluoropolymer Products GmbH previously allocated to the Group on a pro-rata

basis, as the entity was deconsolidated effective from January 1, 2008. Therefore, year-on-year comparability of the reports incorporated within the consolidated financial statements is restricted.

[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 (regular way transaction).

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, 2008 and 2007.

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 2008 financial year

| Segmentation by region in € '000 | Germany | | Rest of Europe and Africa | | Asia, America and Australia | | Eliminations | | Group | |
|----------------------------------------------------|---------|---------|------------------------------|---------|--------------------------------|--------|--------------|---------|----------------|----------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenue from sales to external customers | 112,096 | 114,900 | 158,268 | 151,277 | 34,568 | 34,533 | -1,281 | -829 | 303,651 | 299,881 |
| Revenue from sales to other segments | 0 | 1,195 | 59,231 | 58,635 | 8,981 | 9,405 | -68,212 | -69,235 | 0 | 0 |
| Segment revenue | | | | | | | | | 303,651 | 299,881 |
| Segment result | 11,832 | 11,299 | 9,986 | 9,801 | -2,036 | -1,377 | 0 | 0 | 19,782 | 19,723 |
| Segment assets | 136,298 | 148,620 | 31,433 | 28,003 | 22,570 | 21,465 | | | 190,301 | 198,088 |
| Segment liabilities | 62,772 | 62,884 | 4,319 | 4,067 | 1,441 | 3,272 | | | 68,532 | 70,223 |
| Segment capital expenditure | 11,414 | 9,256 | 5,560 | 1,923 | 4,496 | 2,646 | | | 21,470 | 13,825 |
| Depreciation/amortisation | 11,411 | 11,955 | 315 | 323 | 751 | 527 | | | 12,477 | 12,805 |
| Material non-cash expenses (excl. depreciation) | 6,079 | 4,943 | 931 | 205 | 36 | 212 | | | 7,046 | 5,360 |

| Segmentation by product area in € '000 | Semi-finished plastics | | Pipes and fittings | | Eliminations | | Group | |
|-------------------------------------------|------------------------|---------|--------------------|--------|--------------|------|---------|---------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenue from sales to external customers | 219,280 | 213,148 | 85,652 | 87,562 | -1,281 | -829 | 303,651 | 299,881 |
| Segment assets | 135,294 | 147,286 | 55,007 | 50,802 | 0 | 0 | 190,301 | 198,088 |
| Segment capital expenditure | 13,000 | 9,152 | 8,470 | 4,673 | 0 | 0 | 21,470 | 13,825 |

Reconciliation of segment assets and segment liabilities to current and non-current assets and liabilities is presented below:

| in € '000 | 31/12/08 | 31/12/07 |
|--------------------------------------------------------|----------------|----------------|
| Segment assets | 190,301 | 198,088 |
| Cash | 48,432 | 22,875 |
| Non-current tax assets | 4,844 | 5,348 |
| Current tax assets | 885 | 2,828 |
| Deferred tax | 276 | 545 |
| Financial assets | 23 | 23 |
| Assets of a disposal group classified as held for sale | 0 | 4,082 |
| Current and non-current assets | 244,761 | 233,789 |
| Segment liabilities | 68,532 | 70,223 |
| Deferred tax | 7,089 | 8,074 |
| Income tax liabilities | 2,250 | 554 |
| Non-current financial liabilities | 8,514 | 4,991 |
| Current financial liabilities | 350 | 305 |
| Derivative financial instruments | 380 | 179 |
| Liabilities related to assets held for sale | 0 | 1,129 |
| Current and non-current liabilities | 87,115 | 85,455 |

Notes to Group income statement

[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 | 2008 | 2007 |
|--------------------------------------|---------------|---------------|
| Wages and salaries | 46,338 | 46,055 |
| Expenses relating to social security | 9,411 | 9,564 |
| Expenses relating to pensions | 2,480 | 2,511 |
| | 58,229 | 58,130 |

[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 €2,605 thousand in the financial year under review (prev. year: €2,628 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.

[13] Net finance income

| in € '000 | 2008 | 2007 |
|-------------------------------------|--------------|------------|
| Interest income | 1,024 | 763 |
| of which from loans and receivables | 1,024 | 763 |

| in € '000 | 2008 | 2007 |
|----------------------------------------------------|------------|------------|
| Interest expense | 572 | 653 |
| of which from the measurement of derivatives | 190 | 176 |
| of which from borrowings and financial liabilities | 382 | 477 |

[14] Income taxes

The principal elements of income tax expense for the 2008 and 2007 financial years are as follows:

| Group income statement in € '000 | 2008 | 2007 |
|-------------------------------------------------------------------------|--------------|--------------|
| Current tax | | |
| Current tax expense | 7,378 | 8,057 |
| Adjustments of current tax attributable to previous periods | -106 | 0 |
| Income from measurement of credits for the reduction of corporation tax | -235 | -229 |
| Deferred tax | | |
| Origination and reversal of temporary differences | -716 | -2,140 |
| Income tax expense reported in Group income statement | 6,321 | 5,688 |

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 2008 and 2007 financial years is as follows:

| in € '000 | 2008 | 2007 |
|----------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Profit before income taxes | 20,249 | 19,833 |
| Income tax expense at German tax rate of 28.43 % (prev. year 37.47 %) | 5,757 | 7,431 |
| Adjustments of current tax attributable to previous periods | -106 | 0 |
| Adjustments relating to reduction of future income tax charge (tax rate applicable in the future 28.43 %) | 0 | -1,793 |
| Tax effect of non-deductible expenses | 47 | 31 |
| Tax rate differences | -87 | -11 |
| Recognition of deferred tax assets relating to loss carryforwards attributable to previous year | 0 | 64 |
| Tax effect of non-taxable disposal of interests | -204 | 0 |
| Reversal of deferred tax assets relating to loss carryforwards attributable to previous year due to lack of recoverability | 357 | 0 |
| Income from measurement of credits for the reduction of corporation tax | -235 | -229 |
| Loss carryforwards used in connection with deferred tax assets not recognised in previous year | -180 | -250 |
| Unrecognised deferred tax assets relating to tax losses | 992 | 763 |
| Other | -20 | -318 |
| Income tax expense at effective tax rate of 31.22 % (prev. year: 28.67 %) | 6,321 | 5,688 |
| Income tax expense reported in Group income statement | 6,321 | 5,688 |

At December 31, 2008, 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 €6,653 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 €5,563 thousand (prev. year: €6,066 thousand). Payouts in connection with the corporation tax credits will be made in nine remaining annual

instalments of € 739 thousand in the period from 2009 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 balance sheet | | Group income statement | |
|----------------------------------|---------------------|---------------|------------------------|---------------|
| | 31/12/2008 | 31/12/2007 | 2008 | 2007 |
| Deferred tax liabilities | | | | |
| Non-current assets | 8,654 | 9,292 | -638 | -2,639 |
| Inventories | 2,457 | 2,860 | -403 | -389 |
| Receivables and other assets | 261 | 396 | -135 | -112 |
| Other provisions and liabilities | 151 | 72 | 79 | -101 |
| Other items | 211 | 101 | 110 | -24 |
| | 11,734 | 12,721 | -987 | -3,265 |
| Deferred tax assets | | | | |
| Provisions for pensions | 3,624 | 3,701 | 77 | 518 |
| Other provisions and liabilities | 510 | 536 | 26 | 472 |
| Inventories | 580 | 464 | -116 | 107 |
| Loss carryforwards | 61 | 418 | 357 | 64 |
| Other items | 146 | 73 | -73 | -36 |
| | 4,921 | 5,192 | 271 | 1,125 |
| after set-off: | | | | |
| Deferred tax assets | 276 | 545 | | |
| Deferred tax liabilities | -7,089 | -8,074 | | |
| Deferred tax income | | | -716 | -2,140 |

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 end of the reporting date, loss carryforwards amounted to € 9,142 thousand (prev. year: € 6,473 thousand). Deferred tax assets of € 61 thousand (prev. year: € 418 thousand) were recognised for € 174 thousand (prev. year: € 1,194 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 | 2008 | 2007 |
|-------------------------|--------------|--------------|
| Between 3 and 20 years | 8,545 | 4,471 |
| Indefinite carryforward | 597 | 2,002 |
| | 9,142 | 6,473 |

[15] Earnings per share

For the calculation of basic earnings per share, the profit or loss attributable to ordinary equity holders of the parent entity shares is divided by the weighted average number of ordinary shares outstanding during the year. There were no dilutive effects in the 2008 or 2007 reporting periods. The following table presents the amounts relevant to the calculation of basic and diluted earnings per share:

| in € '000 or units of 1,000 | 2008 | 2007 |
|-------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Profit or loss attributable to ordinary equity holders of the parent company | 13,920 | 14,118 |
| Weighted average number of ordinary shares (without treasury shares) for the purpose of calculating basic earnings per share | 600 | 600 |
| Dilutive effects | 0 | 0 |
| Weighted average number of ordinary shares (without treasury shares) for the purpose of calculating diluted earnings per share | 600 | 600 |
| Basic earnings per share (in euro) | 23.20 | 23.53 |
| Diluted earnings per share (in euro) | 23.20 | 23.53 |

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

[16] Paid and proposed dividends

During the financial year a dividend, attributable to the ordinary shares of the parent company, in the amount of €8.50 per share was declared and distributed. The total payment made in the financial year under review amounted to €5,100 thousand (prev. year: €5,391 thousand). A dividend proposal of €8.50 per share (prev. year: €8.50 per share) will be submitted to the Annual General Meeting of Shareholders. The proposed total dividend per share is €8.50 (prev. year: €8.50 per share); this amount was not recognised as a liability at the reporting date. The corresponding payment would total €5,100 thousand (prev. year: €5,100 thousand).

[17] Intangible assets

December 31, 2008

| in € '000 | Patents and licences | Goodwill | Total |
|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------|--------------|
| Balance at January 1, 2008 (Cost of purchase/conversion, taking into account accumu- lated amortisation and impair- ments) | 2,381 | 143 | 2,524 |
| Additions | 275 | 0 | 275 |
| Amortisation during the financial year | -1,303 | 0 | -1,303 |
| Exchange differences | 2 | 0 | 2 |
| Balance at December 31, 2008 | 1,355 | 143 | 1,498 |
| Balance at January 1, 2008 | | | |
| Cost of purchase/conversion (gross carrying amount) | 7,575 | 143 | 7,718 |
| Accumulated amortisation | -5,194 | 0 | -5,194 |
| Carrying amount | 2,381 | 143 | 2,524 |
| Balance at December 31, 2008 | | | |
| Cost of purchase/conversion (gross carrying amount) | 7,861 | 143 | 8,004 |
| Accumulated amortisation | -6,506 | 0 | -6,506 |
| Carrying amount | 1,355 | 143 | 1,498 |

December 31, 2007

| in € '000 | Patents and licences | Goodwill | Total |
|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------|--------------|
| Balance at January 1, 2007 (Cost of purchase/conversion, taking into account accumu- lated amortisation and impair- ments) | 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 | -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 | -5,194 | 0 | -5,194 |
| Carrying amount | 2,381 | 143 | 2,524 |

In accordance with the method applied in the previous year, patents and licences are amortised systematically over their economic life of 3 to 5 years by using the straight-line method.

[18] Property, plant and equipment

December 31, 2008

| in € '000 | Land and buildings | Plant and equipment | Total |
|-------------------------------------------------------------------------------------------------------------------------------|-----------------------|------------------------|---------------|
| Balance at January 1, 2008 (taking into account accumulated amortisation and impairments) | 29,490 | 56,245 | 85,735 |
| Additions | 536 | 20,660 | 21,196 |
| Disposals | -1 | -582 | -583 |
| Amortisation during the financial year | -1,426 | -9,748 | -11,174 |
| Effects of changes in foreign currency exchange rates | 183 | 244 | 427 |
| Balance at December 31, 2008 (taking into account accumu- lated depreciation/amortisation and impairments) | 28,782 | 66,819 | 95,601 |
| Balance at January 1, 2008 | | | |
| 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 | 56,245 | 85,735 |
| Balance at December 31, 2008 | | | |
| Cost of purchase or conversion | 54,205 | 198,146 | 252,351 |
| Accumulated depreciation and impairments | -25,423 | -131,327 | -156,750 |
| Carrying amount | 28,782 | 66,819 | 95,601 |

December 31, 2007

| in € '000 | Land and buildings | Plant and equipment | Total |
|-------------------------------------------------------------------------------------------------------------------------------|-----------------------|------------------------|---------------|
| Balance at January 1, 2007 (taking into account accumulated depreciation/ 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 accumu- lated depreciation/amortisation 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 |

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

| | |
|---------------------|---------------|
| Buildings | 20 – 40 years |
| Plant and equipment | 5 – 20 years |

Other operating income includes gains from the disposal of property, plant and equipment amounting to €120 thousand (prev. year: €50 thousand).

[19] Inventories

| in € '000 | 31/12/08 | 31/12/07 |
|-----------------------------------|---------------|---------------|
| Raw material and consumables used | 11,446 | 15,645 |
| Finished goods | 32,263 | 40,034 |
| Inventories | 43,709 | 55,679 |

Inventory impairments recognised as expense amounted to €2,897 thousand (prev. year: €2,483 thousand). The cost of materials includes expenses relating to raw materials and consumables in the amount of €166,263 thousand (prev. year: €174,745 thousand).

[20] Trade receivables

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

| in € '000 | 31/12/08 | 31/12/07 |
|-------------------------------------------------------------------------------------------|---------------|---------------|
| Carrying amount | 41,345 | 47,449 |
| of which neither past due nor impaired at the reporting date | 33,240 | 39,035 |
| of which not impaired at the reporting date and past due within the following time ranges | | |
| • up to 30 days | 4,343 | 4,612 |
| • between 31 and 60 days | 1,441 | 2,596 |
| • between 61 and 90 days | 271 | 558 |
| • between 91 and 120 days | 287 | 126 |
| • more than 120 days | 476 | 256 |

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 | 31/12/08 | 31/12/07 |
|------------------------------------------------------|------------|------------|
| Balance of specific allowances at January 1 | 466 | 363 |
| Exchange differences | -27 | -8 |
| Allocated | +528 | +184 |
| Utilised | -48 | -29 |
| Reversed | -25 | -44 |
| Balance of specific allowances at December 31 | 894 | 466 |

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 | 2008 | 2007 |
|-------------------------------------------------------------------------------------------|------|------|
| Expenses attributable to the derecognition of trade receivables | 291 | 209 |
| Income attributable to amounts received in connection with derecognised trade receivables | 53 | 54 |

[21] Other assets and prepaid expenses

| in € '000 | 31/12/08 | 31/12/07 |
|----------------------------------------------------------|--------------|--------------|
| Other receivables | 7,964 | 7,933 |
| Receivables from other long-term investees and investors | 1 | 390 |
| Prepaid expenses | 461 | 868 |
| Other assets and prepaid expenses | 8,426 | 9,191 |

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 | 31/12/08 | 31/12/07 |
|--------------------------------|---------------|---------------|
| Bank balances and cash on hand | 48,432 | 22,875 |
| Cash | 48,432 | 22,875 |

Bank balances bear interest on the basis of floating interest rates applicable to balances payable on demand. At December 31, 2008, the Group had undrawn borrowing facilities of €10,260 thousand (prev. year: €11,355 thousand).

[23] Equity

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

Issued capital

As at December 31, 2008, 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 € '000 | 31/12/08 | 31/12/07 |
|-----------------------|---------------|---------------|
| Share capital | 15,500 | 15,500 |
| Issued capital | 15,500 | 15,500 |

Other reserves

| in € '000 | 31/12/08 | 31/12/07 |
|------------------------------|---------------|---------------|
| Currency translation effects | -1,430 | -1,499 |
| Other reserves | -1,430 | -1,499 |

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

[24] Financial liabilities

| in € '000 | Maturity date | 31/12/2008 | 31/12/2007 |
|------------------------------------------------------------------------------------|---------------|------------|------------|
| Current liabilities | | | |
| Pro-rata loan of USD 3 million (principal repayments due after 31/12/09) | 09/2009 | 237 | 227 |
| Liabilities from deferred interest attributable to USD loans (current liabilities) | 03/2009 | 89 | 77 |
| Bank overdrafts | on demand | 24 | 1 |
| | | 350 | 305 |

| in € '000 | Maturity date | 31/12/2008 | 31/12/2007 |
|--------------------------------------------------------------------------|----------------------|--------------|--------------|
| Non-current liabilities | | | |
| Loan of USD 5.0 million (nominal amount) | 09/2010 | 3,547 | 3,403 |
| Loan of USD 5.0 million (nominal amount) | 12/2013 | 3,547 | 0 |
| Pro-rata loan of USD 3 million (principal repayments due after 31/12/09) | 09/2010 – 09/2015 | 1,420 | 1,588 |
| | | 8,514 | 4,991 |

[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 | 2008 | 2007 |
|------------------------------------|--------------|--------------|
| Current service cost | 929 | 1,059 |
| Interest cost | 1,551 | 1,452 |
| Cost of retirement benefits | 2,480 | 2,511 |

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

| in € '000 | 31/12/08 | 31/12/07 |
|-----------------------------------------------|---------------|---------------|
| Obligation at beginning of reporting period | 36,521 | 35,485 |
| Current service cost | 929 | 1,059 |
| Interest cost | 1,551 | 1,452 |
| Benefits paid | –1,496 | –1,475 |
| Obligations at end of reporting period | 37,505 | 36,521 |
| – of which non-current liability | 35,929 | 35,025 |
| – of which current liability | 1,576 | 1,496 |

The Group anticipates expenses of €2,550 thousand in connection with defined benefit pension plans for the 2009 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 2008 and 2007 financial years.

Liabilities attributable to defined benefit obligations

| in € '000 | 31/12/08 | 31/12/07 |
|--------------------------------------------------------------------|---------------|---------------|
| Present value of defined benefit obligation | 32,826 | 33,598 |
| Unrecognised actuarial gains/losses attributable to the obligation | –4,679 | –2,923 |
| Liabilities attributable to defined benefit obligations | 37,505 | 36,521 |

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

| | 31/12/08 | 31/12/07 |
|------------------------------------------------------|----------|----------|
| Discount rate | 5.25 % | 4.75 % |
| Salary increase | 2.0 % | 2.0 % |
| Pension adjustments | 1.5 % | 1.5 % |
| Mortality (mortality tables published by K. Heubeck) | 2005 G | 2005 G |

[26] Company welfare institutions

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 employees 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 | 31/12/08 | 31/12/07 |
|----------------------------------------------------------------------|---------------|---------------|
| Present value of defined benefit plans at the beginning of the year | 24,731 | 22,366 |
| Current service cost | 1,262 | 1,584 |
| Interest cost | 1,283 | 1,193 |
| Recognised actuarial losses | 0 | 229 |
| Benefits paid | -673 | -641 |
| Present value of defined benefit plans at the end of the year | 26,603 | 24,731 |
| Market value of fund assets at the beginning of the year | 40,276 | 37,400 |
| Disposals of financial assets | -673 | -641 |
| Return on fund assets | -529 | 3,517 |
| Market value of fund assets at the end of the year | 39,074 | 40,276 |
| Surplus plan assets | 12,471 | 15,545 |

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 €19,440 thousand (prev. year: €20,166 thousand) as at December 31, 2008.

Assets (liabilities) attributable to defined benefit obligations

| in € '000 | 31/12/08 | 31/12/07 |
|--------------------------------------------------------------|---------------|---------------|
| Defined benefit obligation | -27,327 | -27,381 |
| Fair value of plan assets | 39,074 | 40,276 |
| Overfunded | 11,747 | 12,895 |
| Unrecognised actuarial losses attributable to the obligation | 724 | 2,650 |
| Assets attributable to defined benefit obligations | 12,471 | 15,545 |

[27] Other provisions

| in € '000 | Personnel-related obligations | Guarantees/warranties | Other | Total |
|-------------------------------------|-------------------------------|-----------------------|--------------|---------------|
| Balance at January 1, 2008 | 3,797 | 4,376 | 1,505 | 9,678 |
| Allocated | 2,065 | 3,346 | 436 | 5,847 |
| Used | 998 | 958 | 138 | 2,094 |
| Reversed | 9 | 283 | 357 | 649 |
| Balance at December 31, 2008 | 4,855 | 6,481 | 1,446 | 12,782 |
| Short-term provisions | 1,309 | 3,321 | 1,327 | 5,957 |
| Long-term provisions | 3,546 | 3,160 | 119 | 6,825 |
| Balance at December 31, 2008 | 4,855 | 6,481 | 1,446 | 12,782 |
| 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 |

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 €3,785 thousand (prev. year: €2,859 thousand). This item is composed of obligations for performance-related arrears, additional compensation and severance payments. In the 2008 financial year,

payments amounted to €1,233 thousand (prev. year: €790 thousand).

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 €158 thousand (prev. year: €151 thousand) and was accounted for in profit or loss.

[28] Cash flow statement

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 cash and current financial liabilities were as follows:

| in € '000 | 31/12/08 | 31/12/07 |
|-----------------------------------------------------------------------------|---------------|---------------|
| Cash | 48,432 | 22,875 |
| Current financial liabilities (excluding liabilities attributable to loans) | -113 | -79 |
| | 48,319 | 22,796 |

The effects of changes to cash and cash equivalents attributable to exchange rates were €223 thousand (prev. year: minus €603 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.

[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
- Detlef Becker, Saarbrücken (since April 1, 2008)
- Jochen Feldmann, Kirn
- Dirk Möller, Kirn

Supervisory Board

- Hans-Werner Marx, Kirn,
Chairman of the Supervisory Board (since June 27, 2008), previously Deputy Chairman of the Supervisory Board
- Dr. Rolf Gößler, Bad Dürkheim,
Deputy Chairman of the Supervisory Board (member of the Supervisory Board since June 27, 2008),
Member of the Supervisory Board of J. Engelsmann AG, Ludwigshafen
- Roland Frobel, Isernhagen,
Tax Consultant
- Dr. Roland Reber, Stuttgart,
Managing Director of Ensinger GmbH, Nufringen
- Bernd Meurer, Hennweiler,
Employee Representative
- Karl-Ernst Schaab, Bergen,
Employee Representative
- Hans-Wilhelm Voss, Simmertal,
Chairman of the Supervisory Board (retired on June 27, 2008)

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)

The duties as an executive or controlling body are as follows: (1) Managing Director/General Manager, (2) Member of the Board of Directors

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 €1,448 thousand in the period under review (prev. year: €1,081 thousand). It comprises €908 thousand (prev. year: €691 thousand) in fixed-level compensation and €540 thousand (prev. year: €390 thousand) in bonus payments. The company does not grant loans to members of the Management Board.

Post-employment benefits of €11,079 thousand (prev. year: €10,073 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 €795 thousand (prev. year: €782 thousand).

Supervisory Board compensation at Group level totalled €122 thousand in the 2008 financial year (prev. year: €128 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 2008 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, 2008, the net

finance result would have been €113 thousand higher and €118 thousand lower respectively.

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.

Currency risks

The SIMONA Group is exposed to risks associated with exchange rate fluctuations within the area of investing and financing activities. Risks attributable to foreign currencies are hedged to the extent that they affect 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. In view of the origination of an additional US dollar loan in December 2008 for the benefit of an Asian subsidiary, which has accounted for an intercompany receivable in the same amount, the aggregate unhedged currency risk remains balanced.

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, 2008, the euro had appreciated (depreciated) by 10% against all other currencies, earnings before taxes would have been €740 thousand lower (€1,055 thousand higher).

The hypothetical effect on profit of minus €740 thousand (plus €1,055 thousand) is attributable to the following sensitivity to exchange rates:

| | | |
|---------|------------------|-------------------|
| EUR/USD | -279 thsd | (376 thsd) |
| EUR/CHF | -25 thsd | (131 thsd) |
| EUR/GBP | -47 thsd | (73 thsd) |
| EUR/CZK | -296 thsd | (362 thsd) |
| EUR/PLN | -176 thsd | (215 thsd) |
| EUR/HKD | 83 thsd | (-102 thsd) |
| | -740 thsd | 1,055 thsd |

If, as at December 31, 2007, the euro had appreciated (depreciated) by 10% 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 €532 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) |
| | -278 thsd | 532 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 €48.4 million, the SIMONA Group has undrawn borrowing facilities of €10.2 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, 2008, 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 | 743 | 9,162 | 521 | 10,426 |
| Trade payables | 7,373 | 0 | 0 | 7,373 |
| Other liabilities | 13,055 | 92 | 124 | 13,271 |
| Financial liabilities | 21,171 | 9,254 | 645 | 31,070 |

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, 2008, there were no foreign exchange forward contracts that would result in amounts due to the entity or payment obligations. As at December 31, 2007, the net amount due in 2008 had been €229 thousand. The market valuation of interest rate swaps resulted in a net payment obligation of €380 thousand (prev. year: €174 thousand).

Based on market data, the value of the currency options is considered to be positive, resulting in a net amount due of €607 thousand (prev. year: €104).

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, 2008, and December 31, 2007, no changes were implemented with regard to SIMONA's goals, guidelines and policies.

[31] Financial instruments

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

| | | Carrying amount | | Fair value | |
|-------------------------------------|-------|-----------------|------------|------------|------------|
| in € '000 | | 31/12/2008 | 31/12/2007 | 31/12/2008 | 31/12/2007 |
| Financial assets | | | | | |
| Cash and short-term deposits | LaR | 48,432 | 22,875 | 48,432 | 22,875 |
| Foreign exchange forward contracts | FAHFT | 0 | 234 | 0 | 234 |
| Currency options | FAHFT | 607 | 104 | 607 | 104 |
| Trade receivables | LaR | 41,345 | 47,449 | 41,345 | 47,449 |
| Financial liabilities | | | | | |
| Bank overdrafts | FLAC | -24 | -2 | -24 | -2 |
| Other current financial liabilities | FLAC | -89 | -77 | -89 | -77 |
| Loans | FLAC | -8,751 | -5,217 | -8,751 | -5,217 |
| Foreign exchange forward contracts | FLHFT | 0 | -5 | 0 | -5 |
| Interest-rate swap | FLHFT | -380 | -174 | -380 | -174 |
| Trade payables | FLAC | -7,373 | -11,978 | -7,373 | -11,978 |

Total by measurement category

| | | | | |
|-----------|---------|---------|---------|---------|
| in € '000 | | | | |
| LaR | 89,777 | 70,324 | 89,777 | 70,324 |
| FAHFT | 607 | 338 | 607 | 338 |
| FLAC | -16,237 | -17,274 | -16,237 | -17,274 |
| FLHFT | -380 | -179 | -380 | -179 |

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

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

as well as by applying option pricing models. Within this context, the calculation takes into account that the loans are subject to floating or fixed interest rates on the basis of standard market terms and conditions.

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

2008: Net gains and losses by measurement category

| in € '000 | Interest | Fair value | Currency translation | Impairment loss/Disposal | Total |
|--------------|------------|------------|----------------------|--------------------------|-------------|
| LaR | 1,024 | 0 | -865 | -666 | -507 |
| HfT | 0 | 132 | 364 | 0 | 496 |
| FLAC | -319 | 0 | 0 | 0 | -319 |
| Total | 705 | 132 | -501 | -666 | -330 |

2007: Net gains and losses by measurement category

| in € '000 | Interest | Fair value | Currency translation | Impairment loss/Disposal | Total |
|--------------|------------|------------|----------------------|--------------------------|-------------|
| LaR | 763 | 0 | -852 | -258 | -347 |
| HfT | 0 | 10 | 187 | 0 | 197 |
| FLAC | -345 | 0 | 0 | 0 | -345 |
| Summe | 418 | 10 | -665 | -258 | -495 |

Hedging transactions

a) Cash flow hedging instruments

As at December 31, 2008, the Group held no forward currency contracts.

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 rate |
|----------------|---------|---------------|-----------------|
| Pound Sterling | 3,300 | 01. – 05.2008 | 0.6802 – 0.7275 |
| Swiss Francs | 2,400 | 01. – 05.2008 | 1.6359 – 1.6650 |
| Polish Zloty | 5,700 | 01. – 05.2008 | 3.6385 – 3.8041 |

b) Fair value hedging instruments

At the reporting date the Group had two interest-rate swaps used for the purpose of hedging floating-rate US dollar loans. The maturities are based on the underlying loans. As at December 31, 2008, 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 rate |
|----------------|---------|---------------|-----------------|
| US Dollar | 8,000 | 01.2009 | 1.6100 |
| Pound Sterling | 3,000 | 02. – 06.2009 | 0.8200 |
| Swiss Francs | 2,200 | 01. – 03.2009 | 1.5600 – 1.6000 |

The terms and conditions of contracts held by the Group as at December 31, 2007, are outlined in the following table:

Foreign currency options for fair value hedging

| | in '000 | Maturity date | Exchange rate |
|-----------|---------|---------------|---------------|
| US Dollar | 4,500 | 05.2008 | 1.4400 |

[32] Other information

Subsidiaries

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

| in % | Ownership Interest |
|-----------------------------------------------------------------------|--------------------|
| SIMONA Beteiligungs-GmbH, Kirn, Germany | 100.0 |
| SIMONA U.K. 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 Ltd., Hong Kong, China | 100.0 |
| SIMONA AMERICA Inc., Hazleton, USA | 100.0 |
| SIMONA ENGINEERING PLASTICS TRADING Co., Ltd., Shanghai, China | 100.0 |
| SIMONA ASIA Ltd., 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* | 0.0 |

* Until and including December 31, 2007, SIMONA AG held a 50% interest in Georg Fischer SIMONA Fluoropolymer Products GmbH, Ettenheim, Germany. The latter was a joint venture under joint control. Effective from January 1, 2008, SIMONA AG disposed of its interest in Georg Fischer SIMONA Fluoropolymer Products GmbH, Ettenheim.

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 31/12/07 | Profit/loss 2007 |
|----------------------------------------------------------------------------|--------------------|-----------------|------------------|
| Company | % | € '000 | € '000 |
| SIMONA Sozialwerk GmbH, Kirn, Germany | 50.0 | 13,951 | -95 |
| SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn, Germany | 50.0 | 6,976 | 657 |

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:

| | 2008 | 2007 | |
|--------------------------------------|--------------|--------------|-----------|
| | Group | Group | * |
| Industrial staff | 763 | 748 | 19 |
| Clerical staff | 419 | 418 | 1 |
| | 1,182 | 1,166 | 20 |
| School-leaver trainees (apprentices) | 55 | 58 | 0 |
| Total number of employees | 1,237 | 1,224 | 20 |

* 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 | 31/12/08 | 31/12/07 |
|-------------------|----------|----------|
| Rental guarantees | 0 | 23 |

Other financial commitments

| in € '000 | 31/12/08 | 31/12/07 |
|--------------------------------------------------------|--------------|--------------|
| Commitments from operating rental and lease agreements | | |
| Due within: | | |
| 1 year | 1,447 | 1,660 |
| 2 – 5 years | 2,869 | 3,495 |
| after 5 years | 153 | 318 |
| | 4,469 | 5,473 |

Purchase commitments arising from investment projects

| in € '000 | 31/12/08 | 31/12/07 |
|-----------|----------|----------|
| | 5,334 | 10,461 |

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 2008 on March 16, 2009, 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 27, 2008, (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 2,320 shares, which corresponds to 0.39 per cent of share capital.

In accordance with Section 15 a 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 € 192 thousand, while fees attributable to tax consulting services amounted to € 14 thousand.

Events after the reporting period

No events occurred after the reporting date that would necessitate a change to measurements or recognised amounts.

Consolidated Statement of Cash Flows of SIMONA AG

| in € '000 | Notes | 01/01 – 31/12/08 | 01/01 – 31/12/07 |
|-----------------------------------------------------------------------------------------------------------------------------------------------|------------|---------------------|---------------------|
| Profit before taxation | | 20,249 | 19,833 |
| Income taxes paid | | –7,272 | –8,056 |
| Interest received and paid | | –452 | –110 |
| Depreciation of property, plant and equipment, and amortisation of intangible assets | [17], [18] | 12,477 | 12,805 |
| Other non-cash expenses and income | | 473 | 2,051 |
| Reclassification of assets to a disposal group classified as held for sale | | 0 | –4,082 |
| Change in pensions | [25] | 984 | 1,036 |
| Result from disposal of non-current assets | | 57 | 316 |
| Result from disposal of investments in an entity whose assets and liabilities were included in a disposal group classified as held for sale | | –773 | 0 |
| Change in inventories | [19] | 11,970 | –4,047 |
| Change in trade receivables | [20] | 6,104 | 160 |
| Change in other assets | | 4,222 | –3,685 |
| Reclassification of liabilities in connection with assets held for sale | | 0 | 1,129 |
| Change in liabilities and other provisions | | –3,306 | –246 |
| Net cash from operating activities | | 44,733 | 17,104 |
| Investments in intangible assets and property, plant and equipment | [17], [18] | –21,470 | –13,181 |
| Payments for acquisition of subsidiaries (after deduction of acquired cash) | [6] | 0 | –650 |
| Proceeds from disposal of non-current assets | | 96 | 59 |
| Proceeds from disposal of investments in an entity whose assets and liabilities were included in a disposal group classified as held for sale | [7] | 3,100 | 0 |
| Net cash used in investing activities | | –18,274 | –13,772 |
| Proceeds from financial liabilities | [24] | 3,547 | 0 |
| Repayment of financial liabilities | | –236 | –254 |
| Proceeds from disposal of treasury shares | | 0 | 375 |
| Payment of prior-year dividend | [16] | –5,100 | –5,391 |
| Payment of prior-year dividend minority interests | | –12 | 0 |
| Interest received | | 1,024 | 763 |
| Interest paid and other expenses | | –382 | –477 |
| Net cash used in financing activities | | –1,159 | –4,984 |
| Effect of foreign exchange rate changes on liquidity | | 223 | –603 |
| Change in cash and cash equivalents | | 25,523 | –2,255 |
| Cash and cash equivalents at January 1 | | 22,796 | 25,051 |
| Cash and cash equivalents at December 31 | | 48,319 | 22,796 |
| Change in cash and cash equivalents | | 25,523 | –2,255 |

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 01/01/07 | 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 payment (incl. bonuses 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 | |
| | | | | | | | | | | | | | | |
| Balance at 01/01/08 | 15,500 | 0 | 15,500 | 15,274 | 397 | 2,847 | 73,587 | 0 | 42,002 | 118,833 | −1,499 | 227 | 148,335 | |
| Foreign currency translation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 439 | 439 | 69 | −12 | 496 | |
| Amount recognised directly in equity | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 439 | 439 | 69 | −12 | 496 | |
| | | | | | | | | | | | | | | |
| Profit for the year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13,920 | 13,920 | 0 | 8 | 13,928 | |
| Appropriations to other revenue reserves | 0 | 0 | 0 | 0 | 0 | 0 | 6,862 | 0 | −6,862 | 0 | 0 | 0 | 0 | |
| Dividend payment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | −5,100 | −5,100 | 0 | 0 | −5,100 | |
| Distribution to non-Group parties | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | −12 | −12 | |
| Balance at 31/12/08 | 15,500 | 0 | 15,500 | 15,274 | 397 | 2,847 | 80,449 | 0 | 44,399 | 128,092 | −1,430 | 211 | 157,647 | |

Details of Shareholdings of SIMONA AG

| Company | Ownership interest % | Equity € '000 | Profit/loss of last financial year € '000 |
|--------------------------------------------------------------------------|----------------------------|------------------|-------------------------------------------------|
| Indirectly | | | |
| SIMONA S.A., Domont/France | 96.6 | 3,424 | 139 |
| SIMONA S.r.l., Vimodrone, Italy | 98.0 | 957 | 93 |
| SIMONA U.K. Ltd., Stafford, United Kingdom | 100.0 | 491 | 564 |
| SIMONA IBERICA SEMIELABORADOS S.L., Barcelona/Spain | 100.0 | -101 | -83 |
| SIMONA ENGINEERING PLASTICS TRADING Co., Ltd., Shanghai/China | 100.0 | 463 | 40 |
| SIMONA ENGINEERING PLASTICS Co., Ltd., Jiangmen/China | 100.0 | 5,517 | -115 |
| 64 NORTH CONAHAN DRIVE HOLDING LLC, Hazleton, USA | 100.0 | 2,586 | 0 |
| Directly | | | |
| SIMONA-PLASTICS CZ, s.r.o., Prag/Czech Republic | 100.0 | 288 | 116 |
| SIMONA FAR EAST Ltd., Hong Kong/China | 100.0 | 811 | 42 |
| SIMONA POLSKA Sp. z o.o., Wrocław, Poland | 100.0 | 717 | 247 |
| SIMONA Sozialwerk GmbH, Kirn (2007) | 50.0 | 13,951 | -95 |
| SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn (2007) | 50.0 | 6,976 | 657 |
| SIMONA Beteiligungs-GmbH, Kirn | 100.0 | 1,834 | 0 |
| SIMONA AMERICA Inc., Hazleton/USA | 100.0 | 1,881 | -3,339 |
| SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic | 100.0 | 4,737 | -341 |
| SIMONA ASIA Ltd., Hong Kong/China | 100.0 | 5,218 | -124 |
| DEHOPLAST Polska Sp. z o.o., Kwidzyn/Polen | 51.0 | 154 | 3 |

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 together with the Group management report for the financial year from 1 January to 31 December 2008. 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 315 a (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 man-

agement 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 315 a (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, 27 March 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

| | |
|-----------------------|-----------------------|
| Klein | Erbacher |
| German Public Auditor | German Public Auditor |

Other Information

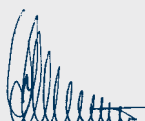
Responsibility Statement pursuant to Sections 297 (2), 315 (1) HGB

“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, 26 March 2009



Wolfgang Moyses
CEO, and Chairman of
the Management Board



Dirk Möller
Member of the
Management Board



Jochen Feldmann
Member of the
Management Board



Detlef Becker
Member of the
Management Board

Financial Statements 2008 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 as at December 31, 2008 of SIMONA AG

| Assets in € '000 | | 31/12/2008 | 31/12/2007 |
|-------------------------------------------------------------|--------|----------------|----------------|
| A. Non-current assets | | | |
| I. Intangible assets | | | |
| Industrial property rights and similar rights | | 636 | 1,537 |
| II. Property, plant and equipment | | | |
| 1. Land, land rights and buildings | 16,305 | | 17,372 |
| 2. Technical equipment and machinery | 21,314 | | 18,208 |
| 3. Other equipment, operating and office equipment | 5,385 | | 4,656 |
| 4. Prepayments and assets under construction | 1,181 | | 1,344 |
| | | 44,185 | 41,580 |
| III. Financial assets | | | |
| 1. Investments in affiliated companies | 16,207 | | 15,801 |
| 2. Other long-term equity investments | 23 | | 2,023 |
| | | 16,230 | 17,824 |
| | | 61,051 | 60,941 |
| B. Current assets | | | |
| I. Inventories | | | |
| 1. Raw materials, consumables and supplies | 7,665 | | 11,438 |
| 2. Finished goods and merchandise | 18,348 | | 23,406 |
| | | 26,013 | 34,844 |
| II. Receivables and other assets | | | |
| 1. Trade receivables | 21,006 | | 23,452 |
| 2. Receivables from affiliated companies | 26,074 | | 28,790 |
| 3. Receivables from other long-term investees and investors | 1 | | 1,008 |
| 4. Other current assets | 11,206 | | 11,940 |
| | | 58,287 | 65,190 |
| III. Cash in hand, bank balances and cheques | | 43,154 | 17,599 |
| C. Prepaid expenses | | 247 | 629 |
| | | 188,752 | 179,203 |

| Equity and liabilities in € '000 | | 31/12/2008 | 31/12/2007 |
|------------------------------------------------------------------------------------|--------|----------------|----------------|
| 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. Statutory reserve | 2,847 | | 2,847 |
| 3. Other revenue reserves | 86,655 | | 80,449 |
| | | 89,899 | 83,693 |
| IV. Unappropriated surplus | | 14,887 | 13,780 |
| | | 135,318 | 128,005 |
| B. Provisions | | | |
| 1. Provisions for pensions | 24,791 | | 23,537 |
| 2. Provisions for taxes | 2,226 | | 550 |
| 3. Other provisions | 17,610 | | 14,330 |
| | | 44,627 | 38,417 |
| C. Liabilities | | | |
| 1. Trade payables | 4,827 | | 8,073 |
| 2. Liabilities to affiliated companies | 226 | | 0 |
| 3. Other liabilities | 3,754 | | 4,708 |
| – of which taxes € 944 thousand (prev. year: € 1,039 thousand) | | | |
| – of which relating to social security € 541 thousand (prev. year: € 667 thousand) | | | |
| | | 8,807 | 12,781 |
| | | 188,752 | 179,203 |

Income Statement for FY 2008 of SIMONA AG

| in € '000 | | 2008 | 2007 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|----------------|----------------|
| 1. Revenue | | 271,221 | 265,745 |
| 2. Increase (prev. year: decrease) in finished goods inventories | | -5,322 | 2,916 |
| 3. Other operating income | | 9,518 | 4,910 |
| | | 275,417 | 273,571 |
| 4. Cost of materials | | | |
| a) Cost of raw materials, consumables and supplies | 151,788 | | 158,648 |
| b) Cost of services purchased | 356 | | 370 |
| | | 152,144 | 159,018 |
| 5. Staff costs | | | |
| a) Wages and salaries | 39,690 | | 38,852 |
| b) Social security, post-employment and other employee benefit costs – of which in respect of old age pensions € 3,068 thousand (prev. year: € 916 thousand) | 10,415 | | 8,794 |
| | | 50,105 | 47,646 |
| 6. Depreciation, amortisation and write-downs of property, plant and equipment as well as intangible assets | | 9,857 | 12,486 |
| 7. Other operating expenses | | 38,866 | 34,503 |
| 8. Income from long-term equity investments – of which from affiliated companies € 576 thousand (prev. year: € 387 thousand) | | 576 | 387 |
| 9. Other interest and similar income – of which from affiliated companies € 388 thousand (prev. year: € 318 thousand) | | 1,338 | 961 |
| 10. Write-down of financial assets | | 7,000 | 0 |
| 11. Interest and similar expenses | | 33 | 51 |
| 12. Result from ordinary activities | | 19,326 | 21,215 |
| 13. Taxes on income | | 6,756 | 7,359 |
| 14. Other taxes | | 157 | 130 |
| 15. Net profit for the period | | 12,413 | 13,726 |
| 16. Unappropriated retained earnings brought forward | | 13,780 | 12,307 |
| 17. Dividend distribution | | 5,100 | 5,391 |
| 18. Allocation to other revenue reserves | | 6,206 | 6,862 |
| 19. Unappropriated surplus | | 14,887 | 13,780 |

SIMONA worldwide



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Design

kommunikation + design
werbeagentur raab gmbh
www.komdes.de

Illustration

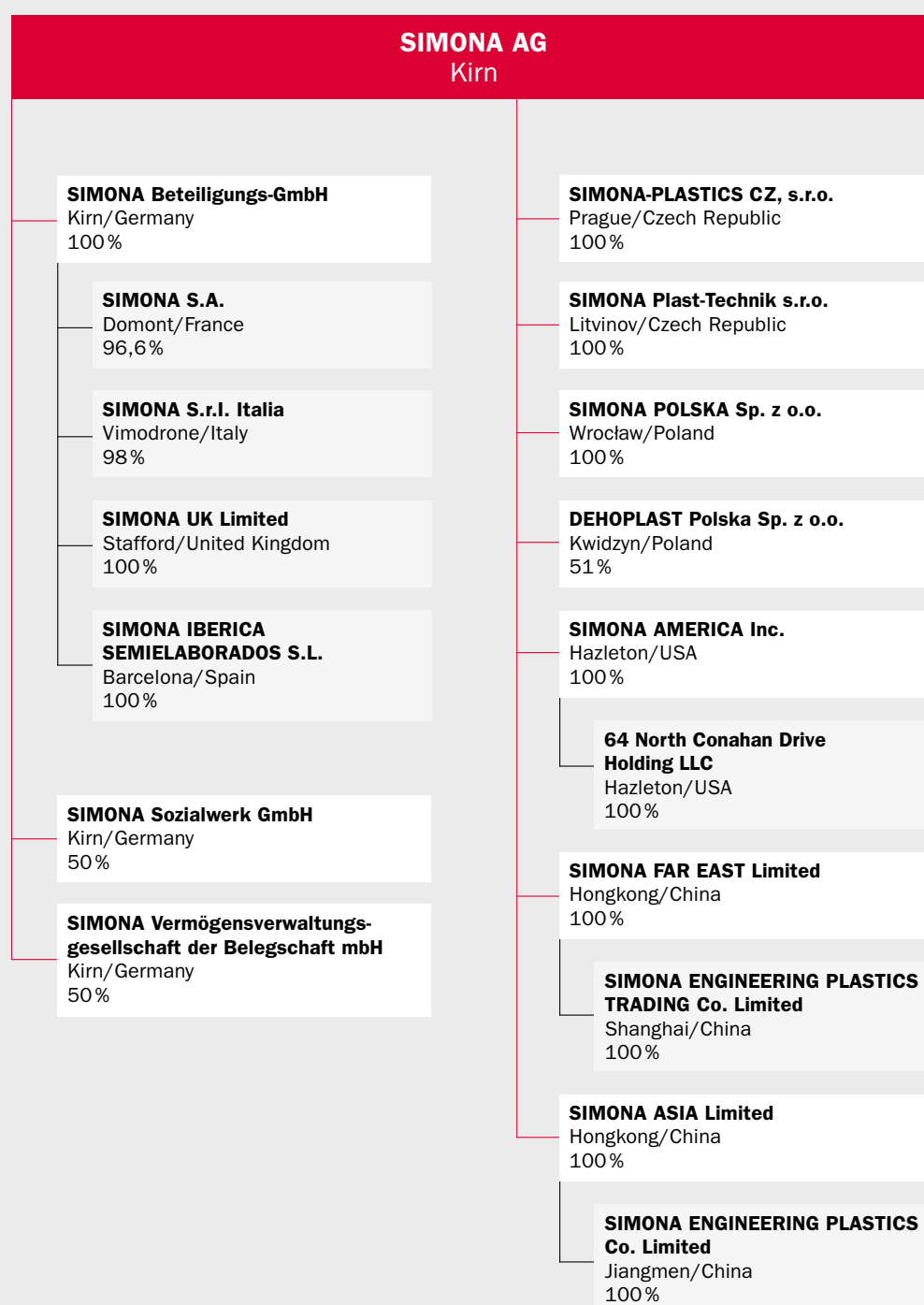
faerber, fischer, harfst SICHTbar gbr.

Print

Krüger Druck + Verlag
Dillingen/Saar

SIMONA AG →
Shareholdings
Governing bodies
at SIMONA AG

SIMONA AG Shareholdings



Governing bodies at SIMONA AG

Members of the Management Board

Wolfgang Moyses

Chairman of the Management Board (CEO)

A Member of the Management Board since 1999

Areas of responsibility:

Strategic Business Development

Global HR Management & Legal Affairs

Investor Relations

Chairman Asia Pacific

Member of the Board SIMONA AMERICA Inc.

Dirk Möller

COO

A Member of the Management Board since 1993

Areas of responsibility:

Production

Land Holdings/ Construction and

Occupational Safety

Technical Service Center

Logistics

Jochen Feldmann

CFO

A Member of the Management Board since 2006

Areas of responsibility:

Controlling

Purchasing

Accounting

IT & Organisation

Quality Management

Detlef Becker

CSO

A Member of the Management Board since 2008

Areas of responsibility:

Sales

Marketing

Members of the Supervisory Board

Hans-Werner Marx

Merchand, Kirn

Chairman (since June 27, 2008)

Dr. Rolf Gößler (Member since June 27, 2008)

Diplom-Kaufmann, Bad Dürkheim

Deputy Chairman (since June 27, 2008)

Roland Frobél

Tax Consultant, Isernhagen

Dr. sc. techn. Roland Reber

Managing Director of Ensinger GmbH, Stuttgart

Karl-Ernst Schaab

Employee Representative

Clerk, Bergen

Bernd Meurer

Employee Representative

Maintenance Fitter, Hennweiler

Supervisory Board Committees

Audit Committee

Hans-Werner Marx

Chairman

Dr. Rolf Gößler

Roland Frobél

Personnel Committee

Hans-Werner Marx

Chairman

Dr. Rolf Gößler

Roland Frobél

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