


**SIMONA**



Annual Report 2011



A photograph of an offshore wind farm in the middle of a vast, blue ocean. Several white wind turbines are visible, receding into the distance. The sky is filled with soft, white clouds, and the sun is low on the horizon, creating a warm, golden glow. The water in the foreground is dark blue with white-capped waves.

The SIMONA Group achieved another substantial increase in revenue as well as solid earnings in 2011. Drawing on our outstanding abilities in process engineering, we specialise in the production of plastic sheets, fittings and piping systems tailored to high-end requirements. At the same time, we are committed to establishing ourselves as one of the world's leading suppliers in the field of safety and environmental solutions.

**GLOBAL THERMOPLASTIC SOLUTIONS**

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The cover of this annual report is made of SIMONA® SIMOLUX. The transparent sheets made of PETG are crystal clear, easy to process and extremely rugged.



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Wolfgang Moyses, Chairman of the Management Board/CEO (left)  
and Dirk Möller, Deputy Chairman of the Management Board/COO

## Dear Shareholders,

Overall, 2011 proved to be a very good year for SIMONA. In fact, we recorded the highest sales revenue in the history of our company. After a period of just two years, we managed to exceed our pre-crisis levels. The route charted for international expansion has been carefully planned, with a clear defined goal. We do not intend to operate in each and every market simultaneously. In the regions in which we do operate, however, our focus is on achieving a significant market position. In 2011, for instance, we laid a solid foundation for growth in Russia by establishing a local subsidiary. In the Asia/Pacific region, meanwhile, we secured a major contract that will provide ample work for our fledgling plant in Jiangmen (China). Elsewhere, our new production site in Litvinov (Czech Republic) has emerged as an impressive benchmark. We also further expanded our partner and dealership network in Latin America.

At the same time, we kept our finger on the pulse of our core market, Europe, and generated considerable forward momentum in central and eastern Europe in particular. Our leading position in the market centred around chemical tank and equipment engineering as well as solar power has been further reinforced by a number of new products. We again managed to increase the overall sales volume of PE and PP sheets in 2011.

What is more, we can be particularly satisfied with our earnings performance. Despite spiralling commodity prices in the first half of 2011, we recorded greatly improved earnings compared to 2010. At 6.4 per cent, our EBIT margin is within the range targeted for the medium term. We have made substantial progress with regard to our efficiency and effectiveness. In this context, the company-wide project aimed at optimising our supply chain has clearly produced significant improvements in terms of processes and availability. The name says it all: Faster. Better. SIMONA!

We have also been pressing ahead in the field of product development. Our excellent process engineering capabilities and the acknowledged quality of our consulting services are important pillars of our corporate strategy. Our ambition is to pursue a swift, proactive approach to product development, complemented by efficient rollout and targeted penetration of new markets.

The “S” surrounded by waves is a symbol of this strategy. We intend to use the power of our brand to capture new markets on the high seas of plastics processing. From a position of strength, and with a focus on applications that help to address key issues of the future: safety and the environment.

We hope you enjoy our annual report.



**WOLFGANG MOYSES**


CEO, Chairman





**GLOBAL THERMOPLASTIC SOLUTIONS FOR UTILITIES**



A photograph of a modern building at night. The building has a glass facade and a large, illuminated, curved concrete structure in the foreground. The scene is lit with blue and white lights, creating a futuristic atmosphere. The foreground shows a wet, reflective surface, possibly a pool or a large fountain, with a circular concrete structure in the center. The background features a tall building with many lit windows, and a street with a crosswalk and some traffic lights. The overall mood is modern and technological.

Our society as a whole is faced with the global challenge of having to provide clean drinking water for an ever growing population, while also ensuring the sustainability of solutions implemented in this area. The use of durable piping systems is one way of achieving this goal. SIMONA has been making its own contribution in the form of PE pipes, fittings and shaft constructions for wastewater systems that can be joined together with maximum efficiency. The result: piping systems for the safe discharge of effluent and the protection of fresh water wells.

## Report by the Supervisory Board



**Hans-Werner Marx**  
Chairman of the Supervisory Board

2011 was a successful year for SIMONA. The company reported the highest sales figures in its history and a solid earnings performance. As a result, in just two years it has more than made up for the dramatic fall in sales triggered by the financial and economic crisis of 2009, although price effects have also played a part. On the whole, the Supervisory Board is very satisfied with the results for 2011, especially with the significant improvement in earnings achieved despite renewed increases in raw material prices in the first half-year and a much gloomier economic situation, above all in the last quarter. This positive development was in part due to the measures adopted jointly by the Management Board and Supervisory Board at the beginning of 2011 with a view to safeguarding the company's operating profit. Every effort was made to generate profitable growth, and to this end SIMONA achieved major efficiency gains in key processes such as the company-wide supply chain optimisation project entitled "Faster. Better. SIMONA!".

The company's targets for 2012 are ambitious but achievable. Although the macroeconomic situation has deteriorated significantly on account of the sovereign debt crisis, the market for plastics applications offers tremendous potential for growth across the world. By focusing on applications in the fields of safety and the environment and by vigorously expanding its international profile, SIMONA has laid a firm foundation that will allow it to participate in this growth.

### COOPERATION WITH THE MANAGEMENT BOARD

Over the course of the financial year 2011, the Supervisory Board discharged its duties under statutory provisions and the company's articles of association, advised the Management Board and senior staff on a regular basis and evaluated and monitored management's activities. 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 kept the Supervisory Board well informed through regular written and verbal reports, furnished in a timely and comprehensive manner. The reports focus in particular on issues relating to corporate planning, business performance 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 actual business performance, 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 in order to discuss specific points and answer any questions put to it by the Supervisory Board. Transactions requiring the Supervisory Board's consent were discussed and examined thoroughly in cooperation with the Management Board, focusing particularly on the benefits and effects of these transactions.

The Chairman of the Supervisory Board was also kept fully informed during the intervals 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, business performance, the cur-

rent business situation and risk management issues, 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 in order to discuss specific matters relating to their areas of responsibility. The CEO informed the Chairman of the Supervisory Board promptly of all important events that were significant in the assessment of SIMONA's business situation and performance or for the management of the company. The Supervisory Board also deliberated on the implementation of the German Corporate Governance Code within the company and, where applicable, initiated measures aimed at fulfilling the new requirements, working in close cooperation with the Management Board. The Supervisory Board does not concur with all aspects of the Corporate Governance Code. A summary of departures from the Code was made available to shareholders on the company's website as part of the updated Declaration of Conformity (dated 9 March 2012) 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 scheduled meetings over the course of 2011. At the meeting held on 10 March 2011, the Supervisory Board examined the Management Board report for the financial year 2010 and the current economic situation and was given a presentation on the outlook for 2011. Other key issues discussed at this meeting were the latest developments at the company's international production sites in Hazelton (USA), Jiangmen (China) and Litvinov (Czech Republic). The Supervisory Board was also informed of the current status of the VAT audit.

At its meeting on 28 April 2011, the Supervisory Board dealt with the 2010 financial statements and management reports for both the consolidated Group and the parent company SIMONA AG, the proposal by the Management Board for the appropriation of distributable profit generated in the financial year 2010 and the result of the year-end audit conducted by Ernst & Young GmbH, 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 2010 financial statements and management reports of the consolidated Group or the parent company; the accounts were thus approved by the Supervisory Board. It assessed and endorsed the Management Board's proposal for the appropriation of profits. At this meeting, the Supervisory Board also approved the agenda for the 2011 Annual General Meeting and the Supervisory Board report for the financial year 2010. It looked at the company's first-quarter performance and the earnings situation. Other agenda items included the restructuring of the company's pension scheme, its business strategy in the North American market, plans to expand the factory in China and a range of development projects.

The Supervisory Board meeting on 11 August 2011 included an on-site inspection of the development and expansion work being undertaken at SIMONA's production site in Litvinov (Czech Republic). At this meeting, the Management Board reported on the company's performance in the first half-year. The Supervisory Board subjected the first half-year results of SIMONA AMERICA Inc. to a detailed review and examined the prospects for 2011 as a whole. It also discussed the results of an operating audit at the US factory and of a survey of the North American market, before going on to draw conclusions about the best way to respond to this information. Other agenda items included the half-year results and outlook at SIMONA's factory in Jiangmen (China) and the planned expansion of the site. The Supervisory Board discussed the future shape of SIMONA's ongoing collaboration with an Asian key account and the restructuring of the company's pension scheme.

At its meeting on 1 December 2011, the Supervisory Board examined the company's performance in the third quarter and discussed the opportunities and risks associated with the latest market developments. It studied and approved the budget and capital expenditure plan for 2012. Other key issues were operational stability at SIMONA's US production site, a potential acquisition in North America and a status report on the develop-

ment and expansion of the factory in China. The Supervisory Board looked at the planned expansion of the Kirn Technology Centre and reviewed the progress made in restructuring the company's pension scheme.

#### 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 mainly responsible for issues relating to accounting and year-end auditing, risk management and acquisitions. The principal duties of the Personnel Committee are centred around remuneration as well as the conclusion, amendment and termination of Management Board members' employment contracts.

The Audit Committee convened on four occasions during 2011. In particular, it dealt with the company's future organizational development, the implementation of the company-wide supply chain optimization project launched in 2009, the economic situation (especially in France and the United States), the business plan for the North American market and the focal points of the annual statutory audit. The Audit Committee also reviewed the company's quarterly and half-year results and prepared the proposal by the Supervisory Board for the appointment of the statutory auditor for the financial year 2011, to be put forward to the Annual General Meeting of Shareholders.

In 2011, the Personnel Committee also held four meetings. Its main focus was on strategic personnel planning for the SIMONA Group, future organisational development and the appointment of managerial staff at the company's North American subsidiary. The Personnel Committee decided not to extend the service contract of Management Board member Detlef Becker and discussed associated adjustments to the composition of the Management Board.

#### ANNUAL FINANCIAL AND GROUP FINANCIAL STATEMENTS

The accounts of SIMONA AG for the financial year 2011 were audited by Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft (Frankfurt), appointed as auditor by the General Meeting of Shareholders on 1 July 2011. Before proposing Ernst & Young GmbH as auditor to the General Meeting of Shareholders, the Chairman of the Supervisory Board had obtained confirmation from Ernst & Young GmbH that there were no circumstances which might prejudice its independence as an auditor. Ernst & Young GmbH audited both the single-entity and Group Financial Statements and management reports in conjunction with the accounting records and issued an unqualified audit opinion. The financial statements mentioned above, the audit reports prepared by Ernst & Young GmbH 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 members of staff. The fact that SIMONA achieved an improvement in both sales and earnings in 2011 is due in no small measure to their commitment. The Supervisory Board would also like to express its gratitude to all the Group's customers and business partners.

Kirn, 19 April 2012



**THE SUPERVISORY BOARD**

Hans-Werner Marx, Chairman

## Governing Bodies at SIMONA AG

### MEMBERS OF THE MANAGEMENT BOARD

<b>Wolfgang Moyses</b> Chairman Chief Executive Officer Member of the Management Board since 1999  <b>Areas of responsibility</b> Strategic Business Development Global HR & Legal Investor Relations Sales Marketing	<b>Dirk Möller</b> Deputy Chairman Chief Operating Officer Member of the Management Board since 1993  <b>Areas of responsibility</b> Production Real Estate/Construction & Occupational Safety Technical Service Center Logistics	<b>Fredy Hiltmann</b> Chief Financial Officer Member of the Management Board since 1 January 2012  <b>Areas of responsibility</b> Accounting Controlling Purchasing IT & Organisation Quality Management
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As Chief Sales Officer, Detlef Becker was an active member of the Management Board until 30 September 2011, with responsibilities for Sales and Marketing.

### MEMBERS OF THE SUPERVISORY BOARD

<b>Hans-Werner Marx</b> , Kirm Kaufmann	Chairman
<b>Dr. Rolf Gößler</b> , Bad Dürkheim Diplom-Kaufmann	Deputy Chairman
<b>Roland Frobél</b> , Isernhagen Managing Director of Dirk Rossmann GmbH, Burgwedel	
<b>Dr. sc. techn. Roland Reber</b> , Stuttgart Managing Director of Ensinger GmbH, Nufringen	
<b>Bernd Meurer</b> , Hennweiler Maintenance Fitter	Employee Representative (until 28 February 2012)
<b>Andreas Bomm</b> , Schmidthachenbach Maintenance Fitter	Employee Representative (since 28 February 2012)
<b>Gerhard Flohr</b> , Bergen Maintenance Fitter	Employee Representative (since 28 February 2012)

### SUPERVISORY BOARD COMMITTEES

<b>Audit Committee</b>
Hans-Werner Marx, Chairman
Dr. Rolf Gößler
Roland Frobél

<b>Personnel Committee</b>
Hans-Werner Marx, Chairman
Dr. Rolf Gößler
Roland Frobél



**GLOBAL THERMOPLASTIC SOLUTIONS FOR MOBILITY**





Our society as a whole is faced with the global challenge of having to safeguard mobility, while conserving valuable resources. Lightweight design in the automotive industry is one way of achieving this goal. SIMONA has been making its own contribution in the form of multilayer polyethylene sheets that are thermoformed to create a high-quality fuel tank. The result: a fuel tank that is lighter than conventional steel tanks and complies with strict emission standards.



## Milestones

Our key strategic goals in 2011 were to expand our international presence and improve processes. By participating in trade fairs and extending alliances, we have tapped into new markets, particularly in Eastern Europe, Asia and South America. For the mature markets in Europe, on the other hand, we pushed ahead with product development to exploit growth potential via new applications.

### 01 – FOUNDING OF SIMONA RUS GMBH

The new subsidiary is intended to better harness the sales potential of the Russian market and establish a network of distribution partners.

### NEW PRODUCT RANGE SIMONA® HOLLOW RODS

A wide range of dimensions was added to the product range. The extruded PE 100 hollow rods offer significant material and cost savings over solid rods.

### SIMOFUSE® FOR PRESSURISED SEWER AND INDUSTRIAL PIPING SYSTEMS

The electrofusion solution originally developed for non-pressurised wastewater management applications was extended to include pressure sewers and industrial pipelines.

### LOGIMAT, STUTTGART

Semi-finished and finished parts from a single source: SIMONA showcases its logistics and conveying technology product range at Europe's largest intralogistics trade fair.

### 02 – EXPOQUIMIA, BARCELONA

SIMONA IBERICA presents semi-finished parts and piping systems for safety- and eco-specific applications at Spain's leading trade show for the chemical industry.

### PS (PROCESS SYSTEMS ) VIETNAM 2011, HO CHI MINH CITY

SIMONA FAR EAST makes its debut at Vietnam's leading trade fair for Fluid, Air & Gas Handling Systems, with industrial piping systems and semi-finished parts taking centre-stage.

### AQUATECH CHINA, SHANGHAI

SIMONA FAR EAST presents solutions for industrial piping systems at the largest and most important trade show for water technology in South-East Asia.

### TURBOTECH IN SAO PAULO, BRAZIL

SIMONA showcases a comprehensive range of pipes and fittings at the key industry event for Brazil's rapidly expanding piping sector.

### 03 – CHEMTECH WORLD EXPO IN MUMBAI

SIMONA presents its product range for chemical plant engineering in India, where a company-owned distribution centre has helped to strengthen our market presence.

### 04 – SIMONA CITY GOES ONLINE

[www.simona-city.com](http://www.simona-city.com) provides an interactive demonstration of the wide variety of SIMONA products.

### ENERGY MANAGEMENT AT SIMONA

SIMONA appoints an energy management officer responsible for all German sites and takes up the challenges of energy efficiency and energy saving.

### BEST CZECH EXPORTER 2011

SIMONA Plast-Technik, Litvínov, receives the accolade for consistent customer focus.





03



04



## Commitment

SIMONA has already won several awards in the past for best practice in vocational training and its strong commitment to HR development. In 2011, it extended its collaboration with universities and expanded its talent development programme. International exchanges were a key element of training programmes.

### 01 – TEAM-BUILDING AT THE OUTDOOR ADVENTURE PARK

New trainees learn about teamwork, motivation and mutual trust on the balance beam and giant ladder.

### ALLIANCES WITH UNIVERSITIES

SIMONA presents its opportunities for young engineers – from international, work-integrated courses to scholarships – at the 15th Careers Fair of the Bingen University of Applied Sciences.

### VOCATIONAL TRAINING COLLEGE OPEN DAY

SIMONA trainees present SIMONA's training programmes in Kirn.

### SPONSORSHIPS OF REGIONAL SCHOOLS

SIMONA is the first company in the region to use sponsorships of schools to establish regular, long-term cooperation.

### TALENT DEVELOPMENT GROUP

The first-year group of the "Your Talent. Our Future" programme starts its training. Various modules equip junior staff to take on future specialist and management functions.

### 02 – BUSINESS ON THE MOVE

Team spirit and success – the SIMONA team supports a good cause at the 6th Corporate Challenge Run.

### INTERNATIONAL TRAINING

Peer group training: employees from China and the Czech Republic receive specific hands-on training in Kirn.

### 03 – "KIRN ON ICE"

Energy-saving Eco-Ice® plastic sheets make skating fun at the inaugural ice hockey tournament for the SIMONA® Eco-Ice® Cup in Kirn.

### 04 – FEDERAL MINISTER VISITS SIMONA

Ursula von der Leyen, Federal Minister for Employment and Social Affairs, learns all about the high standards of training and personnel development at SIMONA.

### FACT-FINDING VISIT BY MINISTER FOR ECONOMIC AFFAIRS

Gaining insight into the company's economic environment was the focus of a visit by Henrik Hering, the then Minister for Economic Affairs for Rhineland-Palatinate.

### BUSINESS FORUM AT THE COFACE ARENA, MAINZ

SIMONA showcases its strengths as a company and regional employer at the Business Forum hosted by the Rhine-Nahe-Hunsrück Regional Initiative.





## Projects

SIMONA City enjoyed further growth in 2011. Our sheets, rods, pipes, fittings and finished parts were used predominantly in environmental engineering and utilities projects as well as in the field of chemical tank and equipment engineering. One of the key demands from our customers in these projects was for safety and reliability. From the choice of material to the quality of the products and on-time delivery. SIMONA is equal to the challenge. Around the globe.

### 01 – PIPES AND SOLID RODS FOR FABRICATING EJECTORS FOR INDUSTRIAL WASTEWATER TREATMENT

SIMONA supplied Körting AG, Hanover, a leading company in the waste gas cleaning/environmental technology sector, with pipes and solid PP rods in 400 and 500 mm diameters for the construction of ejectors for wastewater aeration. The ejectors meet the stringent standards for industrial wastewater treatment to provide a very efficient and reliable oxygenation system for highly polluted wastewater.

### 02 – SIMONA® DOUBLE-CONTAINMENT PIPING SYSTEMS FOR “MITTLERES SAARTAL” SEWAGE TREATMENT PLANT

SIMONA supplied PE double-containment piping systems and shafts for a wastewater collector. The key requirements of this project, for which the piping systems business unit also provided technical support, were the safe drainage of sewage and mixed effluent through a water protection zone and the protection of drinking water wells.

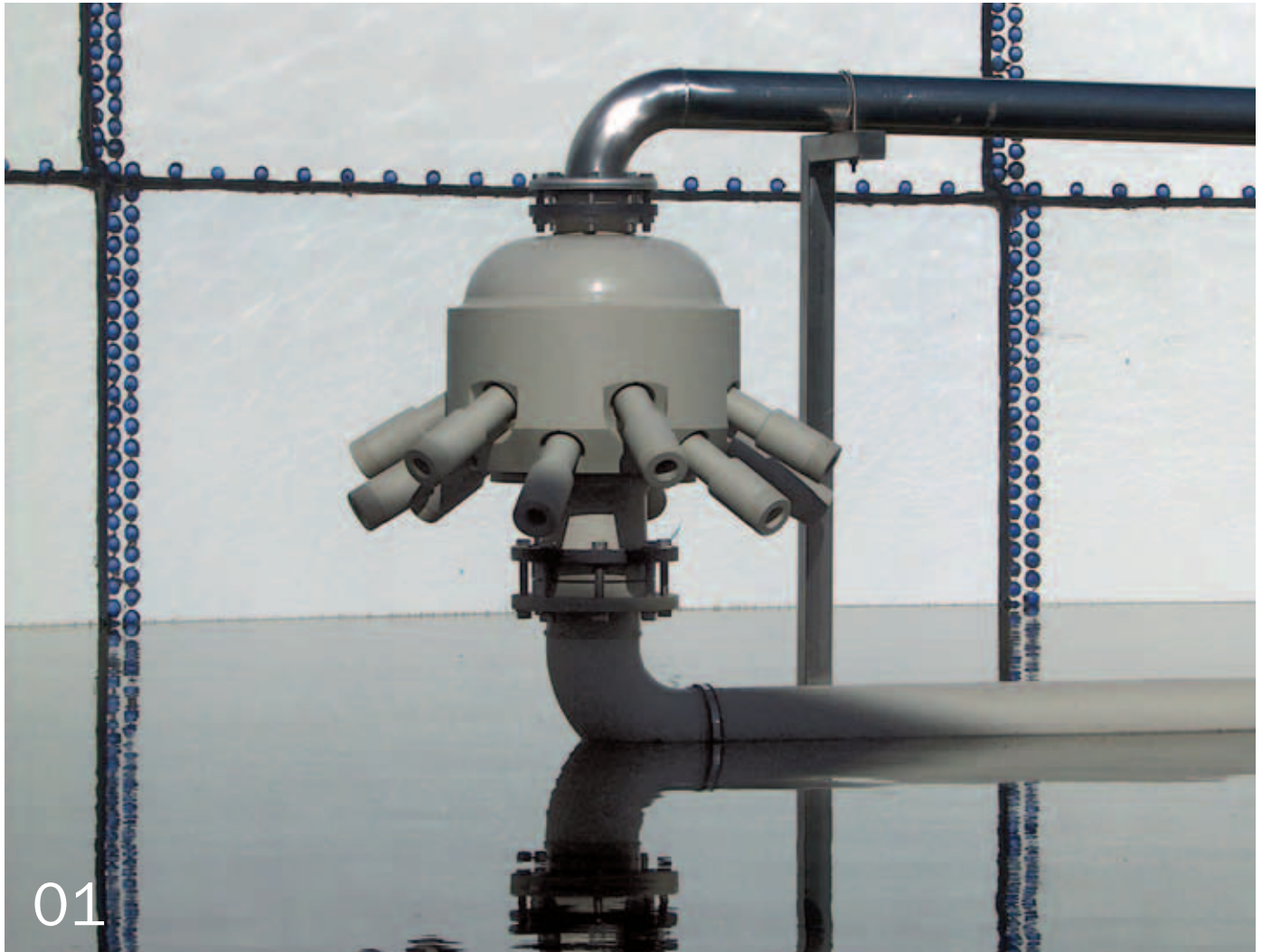
### 03 – SIMONA® PP FOAM SHEETS FOR WASTEWATER COLLECTION AND TREATMENT TANKS

We supplied FORTEX-WATER TECHNOLOGIES, a leading Ukrainian water and wastewater technology firm, with SIMONA® PP foam sheets for the fabrication of tanks for collecting domestic wastewater and treating surface water from petrol station forecourts. FORTEX was impressed by the product's good sealing properties, low weight, ease of handling and appearance.

### 04 – SIMONA® PP-H ALPHAPLUS® PIPES FOR URANIUM REMOVAL AND PARTIAL DESALINATION

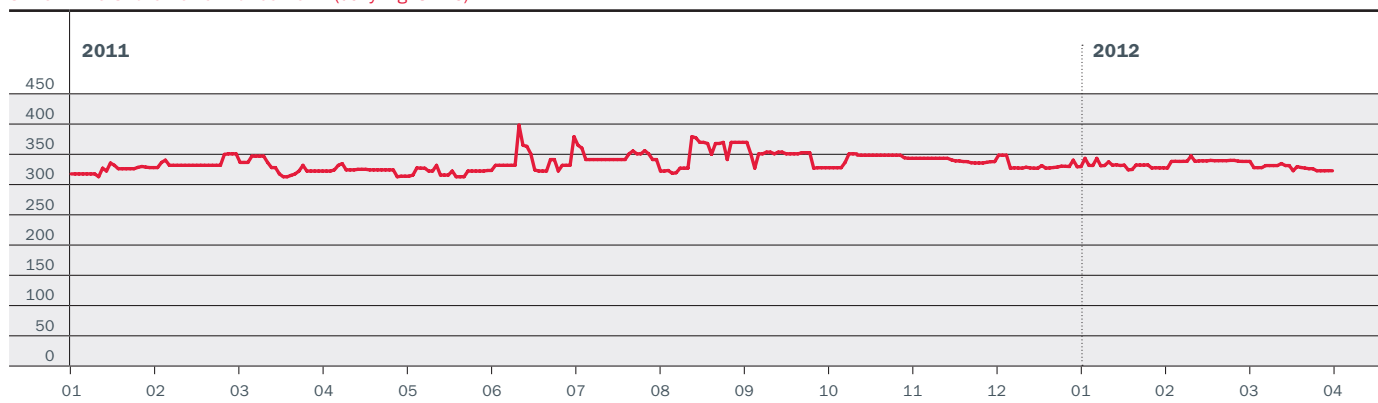
The as yet largest Uranex plant for uranium removal and one of the largest Carix facilities for partial desalination were commissioned at the Windesheim waterworks at the end of 2011 by the Zweckverband Trollmühle (Water Supply Association). SIMONA supplied PP-H AlphaPlus® pipes for the water treatment facility.





## Stock Performance and Capital Markets

**SIMONA AG Share Performance 2011** (daily highs in €)



Although 2011 began in promising fashion on the stock markets, by the end of the year the DAX, Germany's lead index, had suffered a substantial decline of almost 15 per cent. Initially, following on from the significant gains of 2010 and despite a temporary dip of 13 per cent in March in the wake of the Japanese earthquake, the DAX gained further ground to reach a three-year high of around 7,600 points by May 2011. Thereafter, the main factor influencing the DAX was Europe's sovereign debt crisis. Prices began to decline considerably from May onwards, leading to an actual crash in late July/early August. The index lost around 25 per cent by the end of September to fall below 5,000 points, its lowest level in around two years. The rest of the year was marked by an increasingly gloomy economic situation. The DAX ended the year at just under 5,900 points.

### **SIMONA AG SHARE PERFORMANCE**

In 2011, shares in SIMONA ended the year around 4 per cent higher and thus outperformed the DAX. From a starting price of €315, the stock rose to €400 in mid-June, its highest value for the year, supported by positive first-quarter results. As the year progressed, the share price was unable to escape the overall market decline – despite further positive results from the company – and its performance thereafter was inconsistent. At €327.69, the stock ended the year approximately 4 per cent up on its starting point.

### **DIVIDEND**

SIMONA AG will submit a proposal to the Annual General Meeting for a dividend payment of €9.50 per share in respect of the financial year 2011. SIMONA is thus increasing its dividend by €3.00 compared to 2010 in accordance with its long-term policy of ensuring that shareholders receive an appropriate return out of the company's results and a high dividend yield.

### **SIMONA STOCK**

WKN	723940
ISIN	DE0007239402
Type of security	Domestic stock
Par value	No-par-value shares
Share capital	€15.5 million
Stock exchange	Frankfurt am Main, General Standard, Berlin

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

The objective of the German Corporate Governance Code is to make existing national regulations governing corporate management and supervision more transparent for both domestic and international investors, thereby promoting trust in the governance of listed German stock corporations. This framework is based on the German Corporate Governance Code adopted by the Commission of the German Corporate Governance Code in the latest amended version of 26 May 2010.

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.

#### Invitation to 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.” (Section 2.3.2 of the Code)

Notifications relating to the convening of a General Meeting, together with the associated documents, are not yet sent by electronic means. Within this context, the required approvals have not been granted. Regardless of whether the approval requirements are fulfilled, SIMONA is of the opinion that an additional dispatch by electronic means would not be practicable, as the names and e-mail addresses of shareholders are not known in all cases.

#### Transparency of Management Board and Supervisory Board compensation

“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, including fringe benefits, 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 per cent of the severance payment cap.” (Section 4.2.3, para. 4 of the Code)

At present, the Management Board contracts contain no possibilities of limitation (cap) in respect of extraordinary developments. In the company’s opinion, a change of ownership in particular is considered to constitute an extraordinary development. As regards such events, the current Management Board contracts contain no provisions under which board members would have a claim for additional payments. Therefore, from SIMONA’s perspective an agreement concerning caps is deemed unnecessary.

“The total compensation of each one of the members of the Management Board is to be disclosed by name, divided into fixed and variable compensation components. The same applies to promises of benefits that are granted to a Management Board member in case of premature or statutory termination of the function of a Management Board member or that have been changed during the financial year. Disclosure may be dispensed with if the General Meeting has passed a resolution to this effect by three-quarters majority.” (Section 4.2.4 of the Code)

On 1 July 2011, the General Meeting of Shareholders of SIMONA AG agreed by a three-quarter majority to disclose Management Board compensation in an aggregated format, divided into fixed and performance-related components, rather than disclosing each amount by name.

“Elections to the Supervisory Board shall be made on an individual basis. An application for the judicial appointment of a Supervisory Board member shall be limited in time up to the next General Meeting. Proposed candidates for the Supervisory Board chair shall be announced to the shareholders.”

(Section 5.4.3 of the Code)

For reasons of efficiency, the company plans to carry out elections to the Supervisory Board at the 2012 Annual General Meeting on the basis of a list voting system, in accordance with statutory requirements. There will be no disclosure of the names of candidates nominated for the Chair of the Supervisory Board, the purpose being to ensure that the Supervisory Board can retain its impartiality when electing its Chairperson.

“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.” (Section 5.4.6 para. 2 of the Code)

The members of the Supervisory Board receive remuneration that is commensurate with their duties and scope of responsibility. This compensation consists of fixed remuneration as specified by the Articles of Association and does not contain a performance-related component. However, the General Meeting of Shareholders is authorised to introduce compensation for the Supervisory Board, with this form of remuneration being linked to the attainment of specific performance targets. In view of the overall compensation structure, SIMONA considers this approach to be the most suitable compensation model in respect of the Supervisory Board's activities.

#### **Structure of the Supervisory Board and its Committees**

“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.” (Section 5.3.3 of the Code)

The Supervisory Board has not yet formed a Nomination Committee. The shareholder representatives on the Supervisory Board already discuss nominations on a separate basis. There-

fore, in SIMONA's opinion the actual formation of a Nomination Committee is unnecessary.

#### **Reporting**

“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.” (Section 7.1.2 sentence 4 of the Code)

Consolidated financial statements and interim statements are made publicly accessible in accordance with the statutory time frames. Owing to the procedures defined for the preparation of annual financial statements, the aim being to deliver the greatest possible transparency and accuracy, SIMONA is of the opinion that earlier publication would not be feasible.

#### **MANAGEMENT BOARD**

The Management Board develops the corporate strategy and ensures that this strategy is implemented accordingly. It is responsible for formulating company policy, planning investments, sales and human resources as well as managing the respective areas of business. The procedures relating to collaboration between the Management Board members as well as cooperation between the Management Board and the Supervisory Board are specified in by-laws. Among other aspects, the by-laws govern the individual duties and areas of competence, as well as defining the basis of collaboration with the Supervisory Board and determining transactions that are subject to prior approval. Ordinary Management Board meetings are convened by the Chairman of the Management Board. SIMONA AG uses the Balanced Scorecard (BSC) as a strategic management and monitoring instrument. Within this context, the Management Board is responsible for the BSC-related corporate goals, as well as being accountable for regularly reviewing the efficacy of the BSC process as part of an overall assessment of the management system and initiating adjustments to the BSC process and the BSC-related corporate goals. The BSC cascades down to the company's other management levels.

The Management Board currently consists of three members and has assigned individual duties relating to specific areas of management.

## SUPERVISORY BOARD

The Supervisory Board discharges its duties under legal regulations and the company's Articles of Association. It regularly advises the Management Board on issues relating to the governance of the company, in addition to assessing and monitoring its management activities. It reviews the company's risk management and compliance. The Supervisory Board convenes regularly as part of scheduled and, where necessary, extraordinary meetings. 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 as the conclusion, amendment and termination of Management Board members' employment contracts.

### Cooperation between Board of Directors and Supervisory Board

The Management Board and Supervisory Board consult with each other on a regular basis for the purpose of discussing the strategic positioning of the company. The Supervisory Board is directly involved in all decision-making processes of fundamental importance to the company. The Management Board informs the Supervisory Board as part of regular written and verbal reports, furnished in a timely and comprehensive manner. The reports focus 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.

The Chairman of the Supervisory Board regularly maintains contact with the Management Board, also in between meetings of the Supervisory Board and its committees, for the purpose of discussing issues relating to strategy, current business development and performance as well as risk management, in addition to consulting with the Management Board on specific issues and decisions considered to be of significance. The Supervisory Board also deliberates on the implementation of the German Corporate Governance Code within the company and, where

applicable, initiates measures aimed at fulfilling the new requirements, working in close cooperation with the Management Board.

## SHAREHOLDINGS

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.

### Share option plans

SIMONA AG has no share option plans in place.

## CONFLICTS OF INTEREST

Dr. Roland Reber was re-appointed to the Supervisory Board of SIMONA AG on 27 June 2008. 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 items on the agenda. No conflicts of interest occurred during the period under review.

## CORPORATE GOVERNANCE

For details relating to corporate governance, please refer to the Declaration of Corporate Governance, the Declaration of Conformity, the Compensation Report published within the management report and the Report by the Supervisory Board. This information is also published on the internet at [www.simona.de](http://www.simona.de) within the "Corporate Governance" section.

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.





**GLOBAL THERMOPLASTIC SOLUTIONS FOR AGRICULTURE**



Our society as a whole is faced with the global challenge of having to provide nourishment for an ever growing population, while also managing organic waste in the best possible manner. Converting biogas to electricity in an efficient manner is one way of achieving this goal. SIMONA has been making its own contribution in the form of PE 100 pipes and fittings used as components in biogas converters. The result: eco-friendly power generation on the basis of biomass fermentation.



# Group Management Report

## 1. BUSINESS ACTIVITIES AND GENERAL CONDITIONS

### 1.1 Organisation and legal structure of the SIMONA Group

The SIMONA Group develops, manufactures and markets a range of semi-finished thermoplastics, 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 workshop for the production of customised fittings. Semi-finished products are deployed mainly 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. Finished parts are destined in particular for the mechanical engineering and transport technology sectors.

The SIMONA Group markets its products worldwide. The sales structure is primarily based on the following three sales regions:

- Germany
- Rest of Europe and Africa
- Asia, Americas and Australia

The secondary classification is based on product areas:

- Semi-finished products and finished parts
- 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, Russia, 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). 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 pipes, fittings and finished parts are produced at a facility in Ringsheim (Baden-Wuerttemberg). The facility based in Hazleton (Pennsylvania, USA) primarily manufactures extruded semi-finished parts for the American market. The plant in Litvinov (Czech Republic) produces sheets and pipes, mainly for the eastern European market, while the site in Jiangmen (China) manufactures extruded sheets.

In the financial year under review the Management Board consisted of Wolfgang Moyses (Chairman/CEO), Dirk Möller (Deputy Chairman) and Detlef Becker (until 9 December 2011). In 2011, the members of the Supervisory Board included Hans-Werner Marx (Chairman), Dr. Rolf Gößler (Deputy Chairman), Roland Frobel and Dr. Roland Reber as shareholder representatives, as well as Bernd Meurer as a staff representative.

### 1.2 Business Review

#### Revenue reaches record levels

Economic recovery showed signs of faltering in the second half of 2011. Having already undergone a slowdown over the course of the second half of 2010, the economy as a whole was buffeted by further uncertainties following a surge in the price of oil at the beginning of 2011 and a severe earthquake in Japan in March. The sovereign debt crisis to have engulfed the eurozone led to a significant downturn in economic output throughout the established markets over the course of the second half of 2011. In parallel, the developing and emerging countries saw a slowdown in their rate of expansion due to less dynamic export business and a slight loss of impetus from the domestic economy. Economic growth in the United States, meanwhile, picked up slightly over the course of the year, but without actually producing significant forward momentum. According to data published by the International Monetary Fund (IMF), the global economy grew by 3.8 per cent in 2011. The IMF's latest forecast, issued in January, points to global economic growth of 3.25 per cent in 2012. Thus, its forecast published in September 2011 has been revised downwards significantly by 0.75 percentage points.

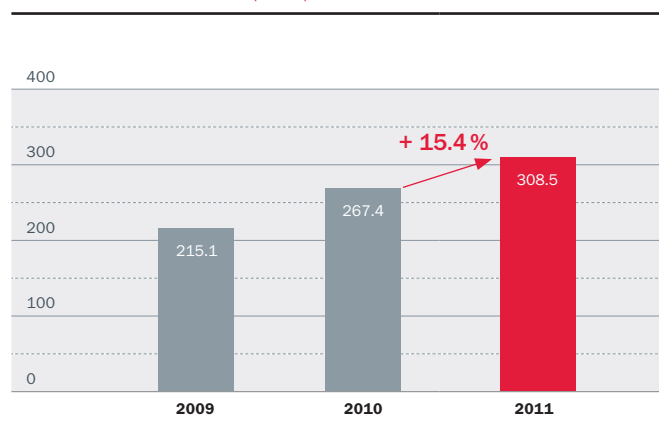
The SIMONA Group managed to stand its ground within this increasingly difficult environment, benefiting from the investment activities of its export-driven customers in Germany. Sales revenue was expanded by 15.4 per cent to €308.5 million in 2011 as a whole (prev. year: €267.4 million). Revenue generated by the parent company, SIMONA AG, rose from €232.5 million a year ago to €265.1 million in 2011, a year-on-year increase of 14.0 per cent.

### Germany

Germany continued on a path to recovery, with the domestic economy generating substantial growth in 2011. Adjusted for prices and working days, GDP rose by 3.0 per cent (prev. year: 3.5 per cent). Having said that, the second half of 2011 saw a noticeable loss in momentum. The fourth quarter produced a decline of 0.2 per cent compared to the preceding quarter. However, compared with the fourth quarter of 2010, the German economy still grew by 1.5 per cent in the final three months of 2011.

In contrast to the situation in 2010, the principal stimuli for growth in the year under review came from the domestic markets. Private consumer spending rose by 1.5 per cent, the most pronounced increase in the last five years. Although foreign trade contributed less to economic growth than domestic demand in 2011, the volume of goods and services exported nevertheless grew by 8.2 per cent compared to 2010. Year-on-year growth recorded in 2010, by contrast, had stood at 15.9 per cent. Economic growth also benefited from a substantial increase in investment spending. Capital expenditure on machinery and equipment, for instance, rose by 8.3 per cent (prev. year: 9.4 per cent).

REVENUE SIMONA GROUP (in €m)



### Review of the principal sales segments and plastics processing industry

Production output in the German chemical industry rose by around 4 per cent in 2011, on the back of an 11 per cent increase in the previous year. For the first time, revenue generated by the industry as a whole moved beyond the threshold of €180 billion, buoyed in particular by the effects of rising commodity prices. The second half of the year saw a significant slowdown in growth, with order intake being adversely affected by growing uncertainty within the market.

Germany's mechanical and plant engineering industry recorded further growth in 2011, thus maintaining its forward momentum from the previous year. Production rose by 14 per cent on the back of growth of 8.8 per cent in 2010. Non-European exports in particular provided significant stimulus in the year under review, with China, Russia, Brazil, India and the United States leading the way. Had it not been for a contraction in business of 1.9 per cent in December 2011, the sector as a whole would have recorded even stronger growth. Capacity utilisation continued to grow, up from 79.8 per cent in 2010 to 88.1 per cent in 2011.

After two difficult years, the exhibition and trade fair industry managed to generate growth over the course of 2011. In total, the 135 national trade fairs staged in Germany saw a 4 per

cent increase in visitors. At the same time, the number of exhibitors rose by 3 per cent to approx. 159,000. Within this context, the overall number of foreign exhibitors increased by an above-average 4 per cent. Rented exhibition space increased by 2 per cent compared with the previous year.

The principal construction industry has projected nominal revenue growth of 12.5 per cent for 2011, which would represent its best performance since the beginning of the 1990s. Benefiting from the growing trend towards investments in property as a result of inflationary fears, the residential construction sector saw its business expand significantly (+14 per cent). The commercial construction sector also recorded considerable growth (+11 per cent). By contrast, the public-sector construction industry had to contend with a decline in orders by 3.9 per cent.

The plastics processing industry in Germany can look back on a record year. Revenue generated by this sector as a whole rose by 8.8 per cent on top of the buoyant year recorded in 2010. The volume of materials processed also expanded, up 10 per cent to 13.5 million tonnes. In contrast to the previous years, exports were not the principal growth driver within this industry. Although overseas trade in plastics expanded yet again year-on-year (7.1 per cent), revenue generated from domestic sales rose by a more pronounced rate of 10 per cent. The export ratio contracted slightly to 35 per cent (prev. year: 35.7 per cent). All areas of the plastics processing industry recorded growth during the year under review. Revenue from plastic packaging rose by 9.0 per cent year-on-year to €13.3 billion, while volume output was up 5 per cent to 4.3 million tonnes. Revenue from the sale of goods used for construction purposes increased by 4.6 per cent to €11.3 billion, with the volume of goods supplied rising slightly to 3.2 million tonnes (prev. year: 3.0 million tonnes). Within the category of technical plastics, revenue increased by 10.8 per cent, with volumes processed rising by 27 per cent to 2.8 million tonnes. As regards the area of consumer and other plastic goods, total revenue increased by 9.8 per cent to €18 billion.

Benefiting from dynamic investment spending and buoyant export business with regard to customers operating in the me-

chanical engineering and chemical industry, SIMONA was again able to drive its revenue forward significantly in Germany over the course of the financial year under review. Sales revenue rose by 15.5 per cent to €104.6 million (prev. year: €90.6 million). As a sales region, Germany accounted for 33.9 per cent of total revenue, which was largely unchanged on the previous year's figure.

### **Europe and Africa**

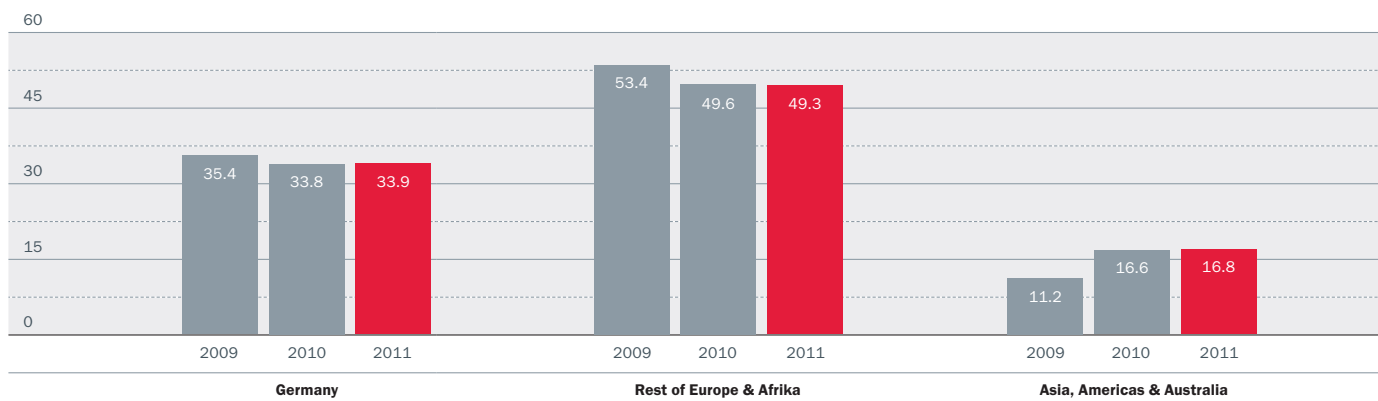
The macroeconomic climate in Europe, which constitutes the largest sales market of SIMONA, was dominated by the sovereign debt crisis. The economies in this region displayed divergent trends. The eurozone saw its gross domestic product rise by 1.5 per cent (prev. year: 1.7 per cent), while the EU27 registered growth of 1.6 per cent (prev. year: 1.8 per cent). Compared to the preceding quarter, both the eurozone and the EU27 were faced with a contraction in their economies of 0.3 per cent in the fourth quarter. Economic growth in the Middle East and North Africa also slowed down in the period under review – to 3.1 per cent (prev. year: 3.9 per cent).

Operating in an increasingly difficult economic arena, SIMONA was able to drive revenue forward yet again in Europe and Africa, taking the figure to €152.0 million (prev. year: €132.7 million). This corresponds to year-on-year growth of 14.5 per cent. Eastern Europe, in particular, produced above-average gains over the course of the year. Remaining SIMONA's principal sales region, Europe and Africa as a whole accounted for 49.3 per cent of total revenue, which was 0.3 percentage points down on the previous year's figure as a result of expansion in the non-European regions.

### **Asia, Americas and Australia**

The US economy picked up during the second half of the year, but nevertheless remained sluggish when viewed across the entire annual period. In the final quarter of 2011, GDP rose by 3.0 per cent, which stands in contrast to growth of just 0.4 per cent in the first quarter of 2011. In the year as a whole, the US economy grew by 1.8 per cent, compared with 2.8 per cent in 2010. The situation within the employment market improved slightly, but still remains a challenge. The economic climate in the emerging markets of Asia and Latin America became

## REVENUE BY REGION SIMONA GROUP (in per cent)



markedly cooler over the course of 2011. The debt crisis in Europe, together with the weak economic performance of the United States as well as Japan, had a dampening effect on exports. Whereas growth in China had stood at 10.3 per cent in 2010, it was slightly less pronounced at 9.2 per cent in 2011. The Indian economy expanded by 7.4 per cent (prev. year: 9.7 per cent). Brazil was faced with a significant slowdown, with growth standing at just 2.9 per cent in 2011, compared to a growth rate of 7.5 per cent in 2010.

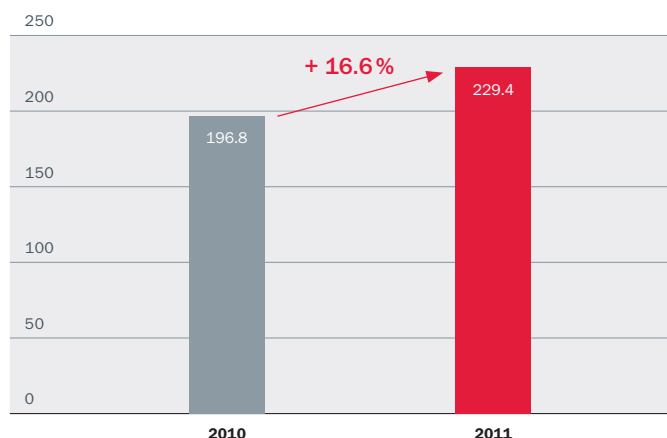
The Asian sales region again proved to be a source of above-average growth for SIMONA in 2011. Although revenue generated from sales in North America expanded in the period under review, growth in this region fell short of expectations. In total, the region comprising Asia, Americas and Australia saw revenue increase by 16.6 per cent to €51.9 million (prev. year: €44.5 million). This region accounted for 16.8 per cent of total sales revenue, a slight year-on-year increase.

#### Above-average growth in finished and semi-finished parts – International position strengthened in area of industrial piping systems

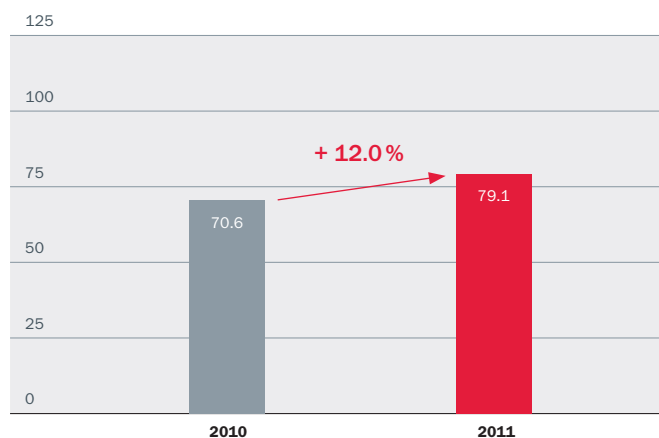
The product category comprising finished and semi-finished parts saw a significant increase in revenue relating to extruded sheets made of PE and PP. These sheets are used primarily in the area of chemical tank and apparatus engineering. Revenue generated from sheets made of special plastics as well as from finished parts and welding rods also increased at a significant rate. By contrast, revenue from the sale of foamed PVC sheets, which are used mainly in the field of advertising technology, exhibition design and structural engineering, stagnated in the period under review. In total, finished and semi-finished parts accounted for sales revenue of €229.4 million. This corresponds to a year-on-year increase of 16.6 per cent.

Within the product area of pipes and fittings, the Group managed to extend its market position for industrial applications relating to international project business and attract new customers. This prompted a significant increase in sales revenue from pipes and fittings made of PP and fluoroplastics. Business relating to PE pipes used in the field of civil engineering, an area that is more local in nature, was impacted by the decline in public-sector projects in Germany. In total, revenue generated from sales in the area of pipes and fittings rose by 12.0 per cent to €79.1 million.

REVENUE SEMI-FINISHED AND FINISHED PARTS (in €m)



REVENUE PIPES AND FITTINGS (in €m)



### Product development stepped up

SIMONA pursues product development at various levels. Our Technical Service Centre is responsible for reviewing customer requirements and refining existing products by making well-judged alterations to polymer properties, e.g. by changing the basic formula. The New Products & Applications unit works in close collaboration with our product management to test new materials and develop plastics for new fields of application. The area will take on an even more active role within the context of our “Safety and Environment” strategy.

Over the course of 2011, we extended our product range of SIMONA® hollow rods to include new sizes and dimensions. Black hollow rods made of PE 100 are now available in a length of 2,000 mm with an outer diameter of between 110 and 810 mm. The company is also able to supply customised sizes within this area. Owing to their geometry, SIMONA® hollow pipes are particularly suited to machining on CNC lathes and provide significant material and cost savings compared to solid rods. They combine excellent chemical resistance with high strength and rigidity, as well as being very easy to process. In view of their UV stability, they are suitable for permanent use in outdoor applications.

In the area of polyolefins, the colour of foamed sheets made of polypropylene (PP FOAM) was modified and the density reduced in order to make this product suitable for peripheral applications in the area of plant engineering.

The piping systems division extended its SIMOFUSE® range, a joining method initially developed for wastewater management in non-pressurised systems, to include pressurised wastewater applications and industrial piping systems. Product certification was issued by “Materialprüfanstalt (MPA) Darmstadt“. In the period under review, SIMONA also developed a multilayer pipe with a coextruded, wear-resistant interior skin that meets the strength requirements specified under DIN 8075. Designed for the transport of substances containing solids, the new multilayer pipe is ready for market launch.

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 clearly segregated from production costs.

## 2. FINANCIAL PERFORMANCE

### Earnings

Against the backdrop of economic recovery over the course of the 2011 financial year, earnings before interest and taxes (EBIT) doubled at Group level, rising by €9.7 million to €19.8 million. The EBIT margin improved to 6.4 per cent, up from 3.8 per cent in the previous year. Profit before taxes (EBT) rose to €20.7 million, which represents a twofold increase compared to the previous year (€10.5 million). The EBT margin was 6.7 per cent, up from 3.9 per cent a year ago.

As a result of revenue growth, the gross profit for 2011 improved by €14.5 million to €140.0 million, which represents 45.4 per cent of revenue (prev. year: 47.0 per cent). Owing to higher commodity prices and the expansion of stock levels, the change in inventories, as presented in the income statement, amounted to €2.5 million.

Other operating income contracted slightly by €0.7 million to €6.5 million.

On the whole, raw materials became slightly more expensive as the year progressed. However, to a large extent the rise in raw material costs was offset by adjustments to the sales prices. Thus, the cost of raw materials and consumables used rose in parallel with revenue growth by around 15 per cent. In total, the cost of materials increased to €177.5 million year-on-year (prev. year: €154.4 million). Energy costs attributable to SIMONA AG edged up by €0.8 million to €10.2 million due to the higher level of production utilisation.

At €58.6 million, staff costs were up €2.7 million on the previous year's figure.

Depreciation of property, plant and equipment and amortisation of intangible assets fell by €0.7 million year-on-year to €11.9 million.

Other operating expenses rose by €2.7 million to €49.7 million. Owing to more expansive business in the year under review, outward freight and packaging as well as temporary staff were the principal cost drivers. By contrast, expenses for advertising and administration were lower in the year under review.

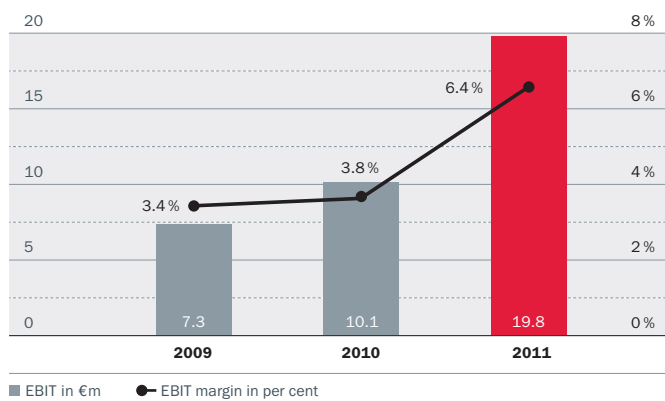
On the whole, the performances of the individual sales companies were favourable. The subsidiaries in France and Italy, in particular, produced positive earnings contributions when compared to the previous year. Earnings generated in Poland and the Czech Republic were down, partly as a result of foreign exchange effects. Newly established in 2011, the sales company based in the Russian Federation was not yet in a position to post a profit in the period under review.

The production company in the Czech Republic managed to further improve its profitability levels in 2011.

The subsidiary in the United States was faced with a loss in 2011, mainly as a result of impairments relating to inventories; its operating profit, adjusted for impairments, was in positive territory.

In Asia, profit generated by the Group's local sales companies contracted slightly year-on-year. SIMONA's plant in China is still in the start-up phase and has yet to move beyond break-even.

## EBIT PERFORMANCE SIMONA GROUP



### EBIT margin

The analysis and assessment of earnings performance by SIMONA is based primarily on 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 equity investments. EBITDA represents an approximation for cash flow from operating activities, as non-cash depreciation of property, plant and equipment as well as amortisation of intangible assets are added to the EBIT figure.

With EBIT standing at €19.8 million, the EBIT margin was 6.4 per cent (prev. year: €10.1 million, 3.8 per cent). EBITDA at Group level rose significantly to €31.7 million (prev. year: €22.7 million), with amortisation of intangible assets and depreciation of property, plant and equipment contracting slightly year-on-year. At 10.3 per cent, the EBITDA margin was up on the figure of 8.5 per cent recorded in the previous financial year.

## 3. FINANCIAL ASSETS AND LIABILITIES

Cash and cash equivalents mainly comprise short-term bank deposits of €26.1 million (prev. year: €39.3 million).

Other financial assets amounting to €30.2 million (prev. year: €10.0 million) encompass an investment made in 2010 in a bonded loan issued by Deutsche Pfandbriefbank as well as fixed-term deposits created in 2011.

Non-current financial liabilities were scaled back by €0.1 million to €4.7 million in the financial year under review. The current financial liabilities of €0.3 million remained unchanged. The derivative financial instruments include an interest rate swap of €0.1 million (prev. year: €0.2 million) for the purpose of hedging the risk associated with a US dollar loan.

Other financial obligations totalling €3.7 million (prev. year: €2.9 million) were attributable to operating rental and lease agreements. Of this total, an amount of €1.4 million is due within one year. Contracts already awarded in connection with investment projects gave rise to current obligations of €5.7 million (prev. year: €1.9 million).

Based on finance income of €1.3 million and finance cost of €0.4 million, net finance income amounted to €0.9 million in 2011 (prev. year: €0.4 million).

#### 4. FINANCIAL POSITION

As at 31 December 2011, total assets were up €12.1 million to €257.1 million.

Property, plant and equipment rose to €89.2 million (prev. year: €88.1 million), fuelled in particular by further investments in the plant in Jiangmen (China). Investments in property, plant and equipment at Group level amounted to €12.5 million, outpacing depreciation and write-downs by €0.8 million.

Raw materials and consumables rose by €4.4 million year-on-year, while finished goods and merchandise increased by €2.4 million at the end of the reporting period.

Higher trade receivables, up €0.8 million to €42.6 million, were a reflection of more pronounced revenue growth in 2011.

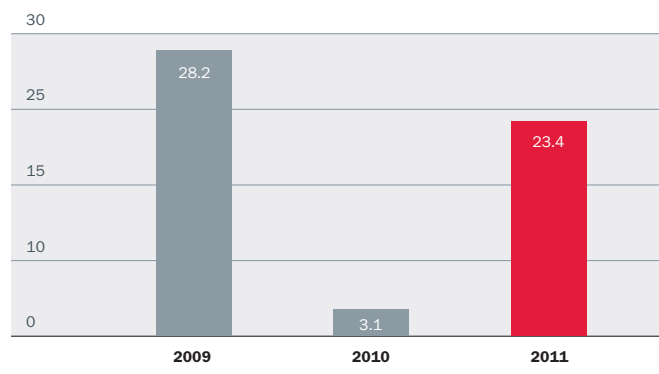
Other assets fell by €3.3 million to €6.1 million. This item includes the entitlement of SIMONA AG, capitalised at its present value, relating to corporation tax credits of €3.9 million (prev. year: €4.5 million), the economic benefits of which will flow to the company after 31 December 2011.

Cash and cash equivalents fell by €13.2 million, mainly as a result of the increase in operating cash flow as well as the payments made for financial investments in fixed-term deposits as part of financial arrangements. These aspects are presented in the Statement of Cash Flows in the notes to the consolidated financial statements.

Total equity and liabilities were dominated by an increase in equity by €12.4 million, with liabilities remaining unchanged year-on-year.

At the end of the financial year, Group equity amounted to €174.6 million (prev. year: €162.2 million). This figure includes annual profit of €16.2 million and a dividend payment of €3.9 million in 2011. The equity ratio for the Group was 68 per cent at the end of the reporting period (prev. year: 66 per cent).

#### CASH FLOW FROM OPERATING ACTIVITIES (in €m)



At €11.2 million, trade payables remained unchanged year-on-year.

Other current and non-current provisions declined slightly, mainly due to the utilisation of provisions in connection with staff-related obligations.

#### 5. EVENTS AFTER THE REPORTING PERIOD

There were no events of material significance to the state of affairs of the SIMONA Group in the period between the end of the 2011 financial year and the preparation of this management report. Beyond this and in accordance with statutory provisions, interim announcements will be issued, outlining the development of the entity and any events that are subject to disclosure requirements.





**GLOBAL THERMOPLASTIC SOLUTIONS FOR LOGISTICS**



Our society as a whole is faced with the global challenge of having to transport more and more goods, while also maintaining adequate levels of security. Monitoring ports and coastal regions is one way of achieving this goal. SIMONA has been making its own contribution in the form of polyethylene sheets used in the construction of marine vessels deployed in ports and on the high seas, with applications ranging from transportation and lifeboat operations to naval security. Boats made of these materials combine high stability with outstanding durability.



## 6. RISK REPORT

The risk management system of SIMONA AG controls the following material risks associated with the Group: 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 performance of customer segments served by SIMONA. They also include exchange rate and commodity price volatility as well as the availability of raw materials. These risks are mitigated by a diversified product portfolio, thorough monitoring of markets and structured procurement management. The production facilities in the United States, China and the Czech Republic provide greater flexibility when it comes to meeting new customer requirements in close proximity to their sites of operation.

Price risks associated with exchange rates tend to increase in proportion to revenue generated outside the eurozone. These risks are scaled back by gradual expansion of production beyond the euro area. In 2011, the focus of risk management was mainly on commodity price risks. Over the course of the first half of the year the market as a whole was dominated by significant volatility as a result of short-term contracts and spiralling prices. With the help of advanced price management, SIMONA is better placed to pass on price rises associated with raw materials. Commodity price risk will continue to be a key factor in earnings performance over the course of 2012. Sector-specific risks are likely to remain a focal point of risk management during 2012.

As regards receivables, the risk of default is mitigated by means of extensive credit rating checks in the case of new accounts and ongoing assessments of the credit ratings of existing customers. Default-related risk associated with specific customers is limited by credit insurance and the cut-off of deliveries in the case of overdue payments. The carrying amounts of inventories are assessed on a regular basis, and adjustments in the form of allowances are made for specific unsaleable products.

Risks attributable to information technology are controlled Group-wide by the company's own IT department, whose task is to manage, maintain, refine and protect the IT systems on a continual basis.

At the end of the 2011 financial year, we are of the opinion that the overall risk situation for the company remains unchanged from that of the previous year.

### Corporate Governance Statement

The declaration on corporate governance pursuant to Section 289a(1) sentences 2 and 3 of the German Commercial Code (Handelsgesetzbuch – HGB) has been published by SIMONA AG on its corporate website at [www.simona.de](http://www.simona.de).

## 7. REPORT ON EXPECTED DEVELOPMENTS

### Global economy with significant uncertainties

The growing uncertainties to have enveloped the economy since the second half of 2011 are likely to prove restrictive to global growth in 2012. The most severe risks currently emanate from the weaker economies within the eurozone. At the same time, loan restraint on the part of banks and the significant slowdown to have hit the Chinese construction sector are giving cause for concern. Although the majority of the forecasts seem to suggest that the global economy will manage to avoid recession, it appears that growth within this area will be sluggish. The International Monetary Fund anticipates global economic growth of 3.25 per cent, while the World Bank has published a figure of 3.6 per cent. The outlook for the euro area as a whole points to zero growth. For Germany, meanwhile, forecasts range from 0.5 per cent to 1.2 per cent. Economic growth in the United States is again likely to be relatively subdued at an estimated 1.8 per cent in 2012. The Asia/Pacific region as a whole is also expected to grow at a weaker rate. One of the major risks is that associated with a downward spiral prompted by a possible crisis within the property market. More than one-eighth of China's GDP was invested in real estate in 2011. China is preparing itself for a slowdown in economic growth and has set itself a target of 7.5 per cent for 2012, the lowest growth target in eight years.

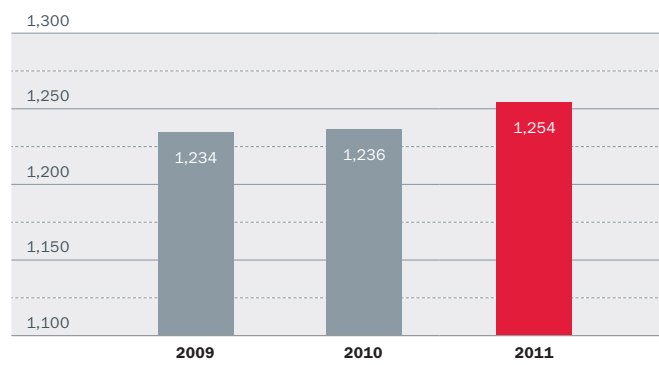
The plastics processing industry expects business to even out at a high level. In total, 86 per cent of companies anticipate growing or at least stable sales revenues. At the beginning of the year, however, order reach calculated in weeks and capacity utilisation were still well down on last year's figures. As a result of elevated commodity prices, there is also a much higher proportion of companies anticipating a decline in earnings.

Faced with a much more challenging market environment in 2012, SIMONA will be looking to generate revenue in excess of €300 million. Eastern Europe, in particular, is to provide fresh impetus for growth. Demand for plastics solutions remains buoyant throughout the region, particularly in the area of chemical tank and apparatus engineering as well as environmental technology. Having established a subsidiary in Russia and occupied market-focused positions, SIMONA has managed to extend its market presence in these regions. However, growth will depend to a large extent on the prevailing economic climate, which as yet remains plagued by uncertainty. At the same time, investment activities by export-oriented customers operating in the mechanical engineering and chemical industry throughout Europe will be key factor when it comes to achieving the Group's growth targets. The piping systems division is expected to make gains mainly within the area of high-end applications for industrial processes, while business relating to classic civil engineering applications is likely to be more restrained.

Commodity prices are expected to rise significantly up until mid-2012. SIMONA has already been forced to announce price rises for specific product groups. The Group will be looking to achieve an EBIT margin of 5 per cent.

Owing to the uncertainties associated with the sovereign debt crisis in Europe and thus also the unpredictability of the global economy, together with the extreme volatility seen within the commodity markets, it is extremely difficult to predict the likely direction for 2013. Given the favourable growth opportunities in the defined markets outside Europe and the strategy of generating forward momentum in the core market of Europe by means of new applications, SIMONA is of the fundamental belief that it will also be able to chart a positive course beyond 2012.

#### EMPLOYEES WITHIN THE GROUP (year-end)



## 8. OTHER INFORMATION

### Employees

At the end of 2011, the SIMONA Group employed 1,254 people in total, 18 more than at the end of 2010.

New staff were recruited in particular at the production sites in Asia and the United States. The overall headcount at SIMONA AG itself fell slightly to 899 (prev. year: 910), mainly as a result of staff downsizing at the underutilised Ringsheim plant. The average number of employees within the Group stood at 1,248 (prev. year: 1,218).

At the end of 2011, 54 young people – unchanged on the previous year – were enrolled in vocational programmes relating to one of seven technical and commercial training courses. Ten vocational trainees – of the 18 who completed their training in 2011 – were taken on as employees. Two vocational trainees opted for an integrated degree course offered by SIMONA in co-operation with the University of Applied Sciences Ludwigshafen. At 31 December 2011, six female members of staff were on parental leave.

SIMONA further extended its partnership with colleges in 2011, as well as stepping up its efforts to promote next-generation talent.

The company introduced sponsorships with schools in the region for the purpose of raising the number of qualified applications for its vocational training programme. SIMONA also established its Talent Promotion Circle responsible for preparing high-calibre candidates for managerial roles in technical and administrative areas. This programme is supervised by senior management. The main emphasis of professional training was on staff at the new plants in China and the Czech Republic. Individual measures for advanced learning were defined as part of the annual staff appraisal meetings.

Within the area of information technology, the focus in 2011 was on an SAP release upgrade for the purpose of keeping the system up to date, the introduction of SAP at the British subsidiary SIMONA UK Ltd. as well as the standardisation of hardware and software solutions at all subsidiary companies. Additionally, all security components were replaced and expanded, a new telephone system was installed at the headquarters in Kirn, Germany, and the failure safety of the company's servers was improved by means of virtualisation.

#### **Significant elements of the internal control and management system**

Overall responsibility for the internal control system with regard to the financial reporting process and the Group financial reporting process rests with the Management Board. All entities included within the consolidated group have been integrated within this system by means of clearly defined management and reporting structures.

The internal control system, which implements specific controls with regard to the financial reporting process, is aimed at providing reasonable assurance that annual financial statements can be prepared in accordance with statutory requirements despite possible risks. The risk management system includes the full range of guidelines and measures required to identify risk and to manage risk associated with commercial operations. The policies, the structural and procedural organisation as well as the processes of the internal control and risk management system operated in respect of financial reporting have been incorporated in guidelines and organisational instructions that are revised regularly to account for the latest external and

internal developments. As regards the financial reporting process, we consider those elements to be of significance to the internal control and risk management system that may potentially influence financial reporting and the overall assessment of the annual financial statements, including the management report. These elements are as follows:

- Identification of significant areas of risk and control with an influence over the group-wide financial reporting process
- Monitoring of group-wide financial reporting process and any findings therefrom at Management Board level
- Preventative measures of control with regard to group accounting as well as subsidiaries included in the consolidated group
- Measures that safeguard the appropriate IT-based preparation of items and data of relevance to financial reporting
- Monitoring of commodity price trends for accounting-related control of procurement and sales prices within the context of price management

#### **Quality, environment and energy**

Quality is of essential relevance not only to our entire product range but also to our business processes. With this in mind, the key objective of SIMONA's quality management system is to safeguard and optimise the company's product and process quality on a continual and sustainable basis with the aim of meeting its customers' exacting requirements. Compliance with the provisions set out in DIN EN ISO 9001, ISO/TS 16949 and the Pressure Equipment Directive 97/23/EC is considered to be the basis for achieving this goal.

In the 2011 financial year, the effective implementation of these management standards was again confirmed by successful re-certifications. Following the on-schedule introduction of our quality management system at the new production site in Jiangmen (China) in December 2011 we were granted first-time certification in accordance with DIN EN ISO 9001 for this plant too. Other focal points during 2011 included an interdisciplinary quality circle and product audits, as well as various sampling and approval measures within the context of existing and new projects for the automotive industry.

Within the area of pipes and fittings, we again saw a number of country-specific product registrations in response to specific customer and market requirements. This resulted in several audits as part of which we were able to prove to external auditors the efficacy of the SIMONA management systems as well as the exceptionally high quality of our products and processes.

Alongside quality management and environmental management, we also fully incorporated the aspect of energy management within the integrated management system in the second half of 2011, the aim being to utilise existing synergies of these management standards to the best effect within the company. We introduced an energy management system in accordance with DIN EN ISO 50001 and appointed a dedicated Energy Management Officer to oversee these activities. The objective is to ensure reliable energy supply at cost-effective prices as well as the provision of sufficient volumes in accordance with requirements. Higher energy efficiency levels provide a solid foundation for the reduction of manufacturing costs, as well as promoting innovation within the company and extending the life cycles of operating systems.

As a company, SIMONA is aware of its responsibilities towards people and the environment. Therefore, sustainability and environmental compatibility are central issues for SIMONA. When it comes to planning new production processes and manufacturing methods, we are fully committed to intensifying environmental protection as an integral element of our operations. With regard to products and applications, SIMONA's "Safety and Environment" strategy is aimed at delivering effective solutions in response to market challenges in the area of environmental engineering or utilities.

## Compensation Report

### Management Board compensation

The Supervisory Board, based on the recommendations of the Personnel Committee, is responsible for determining the overall compensation of the respective Management Board members. It also regularly reviews the compensation system relating to the Management Board. The Personnel Committee consists of Hans-Werner Marx, Chairman of the Supervisory Board, as well

as the Supervisory Board members Dr. Rolf Gößler and 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 Management Board 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 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 (EBIT). Total Management Board compensation amounted to €1,512 thousand in the period under review (prev. year: €1,553 thousand). It comprised €839 thousand (prev. year: €1,034 thousand) in fixed-level compensation and €673 thousand (prev. year: €519 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 €406 thousand (previous year: €592 thousand). Pension provisions for active and former members of the Management Board were recognised to the full extent and amounted to €8,328 thousand as at 31 December 2011 (prev. year: €7,756 thousand).

#### Supervisory Board compensation

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

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

In addition to fixed compensation, the General Meeting shall be authorised to pass a resolution on a variable component of compensation, payment of which shall be dependent on whether specific corporate performance indicators have been met or exceeded. At the Annual General Meeting of Shareholders on 1 July 2011 no such resolution for variable compensation components was passed for the 2011 financial year.

Supervisory Board compensation at Group level totalled €118 thousand in the 2011 financial year (prev. year: €121 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.

#### Disclosures pursuant to Sections 289(4) and 315(4) HGB and explanatory report

As at 31 December 2011, the share capital of SIMONA AG was €15,500,000, divided into 600,000 no-par-value bearer shares ("Stückaktien") governed by German law. Thus, it remained unchanged in the 2011 financial year. The shares are traded in the General Standard of the German stock exchange in Frankfurt as well as on the Berlin securities exchange. There are no different categories of share or shares furnished with special rights. Each share is equipped with one vote at the General Meeting of Shareholders. In view of the fact that a shareholder's right to a certificate of ownership interests has been precluded under the company's Articles of Association, the share capital of our company is represented only in the form of a global certificate, which has been deposited with Clearstream Banking AG, Frankfurt am Main. Therefore, our shareholders will in future only have an interest as co-owners in the collective holdings of the no-par-value shares in our company, as held by Clearstream Banking AG, according to their interest in the company's share capital. We shall no longer issue effective share certificates. As far as the Management Board is aware, there are no restrictions affecting voting rights or the transfer of shares.

A 30.79 per cent interest was held 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 15.0 per cent interest by Kreissparkasse Biberach (Biberach), a 10.0 per cent interest by SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH (Kirn) and a 10.1 per cent interest by Rossmann Beteiligungs GmbH (Burgwedel). The remaining 11.06 per cent of shares in the company were in free float.

As at 1 July 2011, 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 1 July 2011, members of the Supervisory Board held a total of 1,689 shares. This corresponds to 0.28 per cent of total share capital.

To the extent that employees hold an interest in the company's capital, these employees themselves directly exercise the rights

of control associated with their shareholdings. The appointment and the removal of members of the Management Board are governed by the statutory provisions set out in Sections 84 and 85 of the German Stock Corporation Act (Aktiengesetz – AktG) as well as by Section 9 of the Articles of Association of SIMONA AG. Under these provisions, the Management Board of the company consists of at least two members. The appointment of deputy members of the Management Board is permitted. The Management Board generally has a chairman to be appointed by the Supervisory Board. The Supervisory Board is entitled to transfer to a Supervisory Board committee the duties relating to the conclusion, amendment and termination of Management Board employment contracts. Any amendments to the Articles of Association must be made in accordance with the statutory provisions set out in Section 179 et seq. of the German Stock Corporation Act.

According to Section 6 of the Articles of Association, the company is entitled to issue share certificates that embody one share (single certificate) or multiple shares (global certificates).

At present there are no significant agreements containing a change of control provision that would apply in the event of a takeover bid.

At present there are no agreements with members of the Management Board or with employees relating to compensation payments in the event of a change of control.

#### **Forward-looking statements and forecasts**

This Group management report contains forward-looking statements that are based on the current expectations, presumptions and forecasts of the Management Board of SIMONA AG as well as on information currently available to the Management Board. These forward-looking statements shall not be interpreted as a guarantee that the future events and results to which they refer will actually materialise. Rather, future circumstances and results depend on a multitude of factors. These include various risks and imponderables, as well as being based on assumptions that may conceivably prove to be incorrect. SIMONA AG shall not be obliged to adjust or update the forward-looking statements made in this report.

#### **Closing statement**

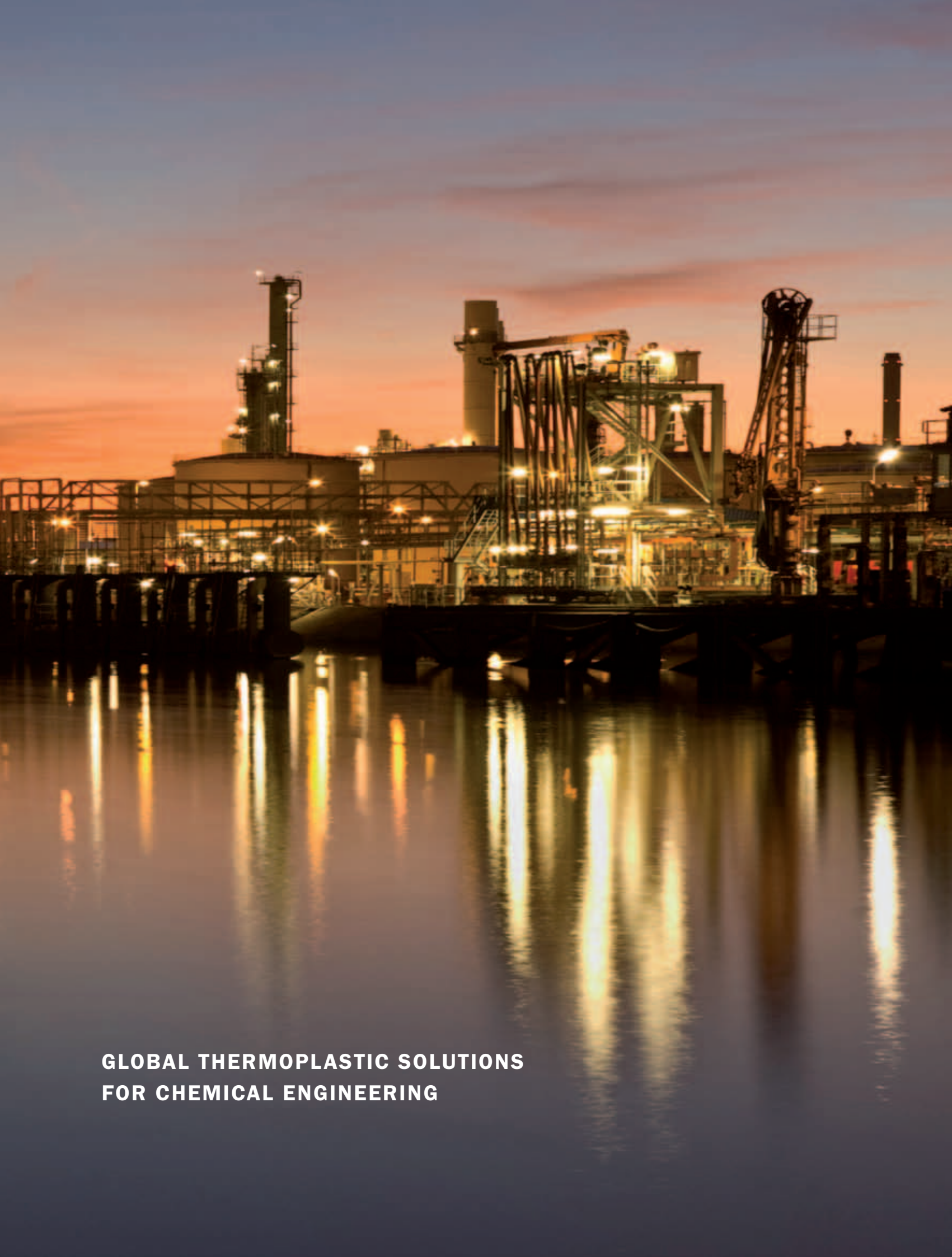
We hereby declare that to the best of our knowledge the management report conveys the course of business, the financial performance and the material opportunities and risks associated with the expected development of the SIMONA Group.

Kirn, 30 March 2012

SIMONA Aktiengesellschaft

The Management Board





**GLOBAL THERMOPLASTIC SOLUTIONS  
FOR CHEMICAL ENGINEERING**





Our society as a whole is faced with the global challenge of having to make industrial processes ever more efficient, while also maintaining exacting safety standards. Performance plastics with high chemical resistance are one way of achieving this goal. SIMONA has been making its own contribution in form of PP, PVDF and E-CTFE and PP sheets used in chemical tank and equipment engineering, as well as providing first-class consulting services. The result: superior resistance to aggressive substances.



## Group Income Statement of SIMONA AG for the 2011 Financial Year

in € '000	Notes	01/01 - 31/12/2011	01/01 - 31/12/2010
Revenue	[7]	308,499	267,402
Other operating income		6,539	7,201
Changes in inventories of finished goods		2,517	5,314
Cost of materials		177,519	154,420
Staff costs	[8]	58,620	55,876
Amortisation of intangible assets and depreciation of property, plant and equipment	[15], [16]	11,931	12,606
Other operating expenses	[10]	49,681	46,946
Income from equity investments		650	500
Interest income	[11]	659	498
Interest expense	[11]	392	579
<b>Profit before taxes</b>		<b>20,721</b>	<b>10,488</b>
Income tax expense	[12]	4,482	3,263
<b>Profit for the period</b>		<b>16,239</b>	<b>7,225</b>
Of which attributable to:			
Owners of the parent company		16,177	7,198
Non-controlling interests		62	27

### EARNINGS PER SHARE

in €			
- basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[13]	26.96	12.00
- diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[13]	26.96	12.00

## Group Statement of Comprehensive Income of SIMONA AG for the 2011 Financial Year

in € '000	01/01 - 31/12/2011	01/01 - 31/12/2010
<b>Profit for the period</b>	16,239	7,225
Exchange differences on translating foreign operations during the year	191	1,040
Amount recognised directly in equity	191	1,040
<b>Total comprehensive income</b>	<b>16,430</b>	<b>8,265</b>
Total comprehensive income attributable to:		
Owners of the parent company	16,392	8,235
Non-controlling interests	38	30

## Group Statement of Financial Position of SIMONA AG for the 2011 Financial Year

### ASSETS

in € '000	Notes	31/12/2011	31/12/2010
Intangible assets	[15]	1,280	1,294
Property, plant and equipment	[16]	89,229	88,126
Financial assets	[29]	23	23
Non-current tax assets	[19]	3,205	3,773
Deferred tax assets	[12]	174	173
<b>Non-current assets</b>		<b>93,911</b>	<b>93,389</b>
Inventories	[17]	57,283	50,515
Trade receivables	[18]	42,606	41,845
Other assets and prepaid expenses	[19]	6,914	9,947
Other financial assets	[29]	30,227	10,000
Cash and cash equivalents	[20]	26,139	39,316
<b>Current assets</b>		<b>163,169</b>	<b>151,623</b>
<b>Total assets</b>		<b>257,080</b>	<b>245,012</b>

### EQUITY AND LIABILITIES

in € '000	Notes	31/12/2011	31/12/2010
<b>Equity attributable to owners of the parent company</b>			
Issued capital		15,500	15,500
Capital reserves		15,274	15,274
Revenue reserves		143,702	131,425
Other reserves		-45	-260
		<b>174,431</b>	<b>161,939</b>
<b>Non-controlling interests</b>		201	272
<b>Total equity</b>	[21]	<b>174,632</b>	<b>162,211</b>
Financial liabilities	[22]	4,728	4,848
Provisions for pensions	[23]	39,311	38,322
Other provisions	[25]	5,450	6,036
Other liabilities		172	211
Deferred tax liabilities	[12]	5,187	5,654
<b>Non-current liabilities</b>		<b>54,848</b>	<b>55,071</b>
Financial liabilities	[22]	312	313
Provisions for pensions	[23]	1,327	1,248
Other provisions	[25]	2,245	2,535
Trade payables		11,223	11,202
Income tax liabilities		1,153	1,607
Other liabilities and deferred income		11,217	10,670
Derivative financial instruments	[29]	123	155
<b>Current liabilities</b>		<b>27,600</b>	<b>27,730</b>
<b>Total equity and liabilities</b>		<b>257,080</b>	<b>245,012</b>

## Notes to Group Financial Statements of SIMONA AG for the 2011 Financial Year

### [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 31 December 2011 were scheduled to be released by the Management Board on the basis of a resolution of 3 April 2012 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, fittings and finished parts made of thermoplastics.

The semi-finished products are manufactured in Germany at a plant in Kirn, as well as in Hazleton (USA) and Jiangmen (China). Pipes and fittings are produced at the plant in Ringsheim (Germany). The plant in Litvinov (Czech Republic) manufactures semi-finished products, pipes and fittings. The products are marketed under the joint SIMONA brand as well as a range of separate brands.

SIMONA AG maintains a sales office in Möhlin, Switzerland.

In addition, distribution is conducted via subsidiaries in the United Kingdom (SIMONA UK Limited, Stafford, United Kingdom), France (SIMONA S.A.S., Domont, France), Italy (SIMONA S.r.l., Vimodrone, Italy), Spain (SIMONA IBERICA SEMIELA-BORADOS S.L., Barcelona, Spain), Poland (SIMONA POLSKA Sp. z o.o., Wrocław, Poland, DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland), Czech Republic (SIMONA-PLASTICS CZ, s.r.o., Prague, Czech Republic, SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic), China (SIMONA FAR EAST Ltd., Hong Kong, China, SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai, China, SIMONA ENGINEERING PLASTICS Co. Ltd., Jiangmen, China), the United States (SIMONA AMERICA Inc., Hazleton, USA) and the Russian Federation (OOO SIMONA RUS, Moscow, Russian Federation).

### [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 31 December 2011, have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the reporting date, as adopted by the European Union, and the provisions of commercial law to be applied additionally pursuant to Section 315a(1) of the German Commercial Code (Handelsgesetzbuch – HGB).

The term “IFRS” comprises all International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) to be applied on a mandatory basis as at the reporting date. Additionally, all interpretations issued by the International Financial Reporting Interpretations Committee (IFRS IC) – formerly Standing Interpretations Committee (SIC) – were applied insofar as their application was mandatory for the 2011 financial year.

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

The Group statement of financial position conforms with the presentation requirements of IAS 1. Various items reported in the income statement and the statement of financial position 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 31 December. 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. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interests are disclosed separately in the Group income statement and within equity of the Group statement of financial position.

## [3] NEW FINANCIAL REPORTING STANDARDS

### 3.1 Accounting standards applicable for the first time in the financial year

The accounting methods applied to these consolidated financial statements are consistent with those applied in the previous year, with the exception of the following new and amended Standards and Interpretations effective as at 1 January 2011. The following section provides a summary of Standards that are of relevance to SIMONA AG, as well as detailing the possible implications for the consolidated financial statements:

- IAS 24R "Related Party Disclosures" (revised)
- IAS 32 "Financial Instruments: Presentation" (Classification of Rights Issues)
- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters)

- IFRIC 14 "Prepayments of a Minimum Funding Requirement"
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"
- Improvements to IFRS 2010 (collective document for the purpose of amending various IFRSs).

The following section provides a summary of the relevant Standards, as well as detailing the possible implications for the consolidated financial statements:

IAS 24R revises the definition of related parties in order to simplify the process of identifying relationships with related parties, as well as exempting a reporting entity from its disclosure requirements in relation to related party transactions with a government that has control, joint control or significant influence over the reporting entity and another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The SIMONA Group has ascertained that these amendments will have no effect on the recognition, measurement and disclosure of assets and liabilities in the consolidated financial statements and the results in future financial years.

The other revised or amended standards will have no implications for the consolidated financial statements of SIMONA AG.

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

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRS IC) 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 2011 financial year. The Group will not apply these Standards and Interpretations for an earlier period.

- IFRS 7 "Financial Instruments: Disclosures" (IFRS Disclosures—Transfers of Financial Assets)

The Group does not anticipate that the amendments to IFRS 7 will have a material impact on the consolidated financial statements.

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

The IASB and IFRS IC issued the following Standards and Interpretations that were not yet applicable in the 2011 financial year. These Standards and Interpretations have yet to be adopted by the European Union and are therefore not applied by the Group.

- IAS 1 “Presentation of Financial Statements” (Presentation of Items of Other Comprehensive Income)
- IAS 12 “Income Taxes” (Deferred Tax: Recovery of Underlying Assets)
- IAS 19 “Employee Benefits”
- IAS 28R “Investments in Associates and Joint Ventures”
- IFRS 7 “Financial Instruments: Disclosures” (IFRS Disclosures—Transfers of Financial Assets)
- IFRS 10 “Consolidated Financial Statements”
- IFRS 11 “Joint Arrangements”
- IFRS 12 “Disclosure of Interests in Other Entities”
- IFRS 13 “Fair Value Measurement”
- IFRS 9 “Financial Instruments: Classification and Measurement” (new Standard)

With the exception of IAS 19, application of the aforementioned standards and interpretations is unlikely to have significant implications for the future financial statements issued by the SIMONA Group.

IAS 19 (revised) eliminates the corridor approach and requires the recognition of actuarial gains and losses in other comprehensive income. The SIMONA Group currently recognises actuarial gains and losses as income or expense if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10 per cent of the present value of the defined benefit obligation at that date (before deducting plan assets) and 10 per cent of the fair value of any plan assets at that date. Actuarial gains not recognised as at 31 December 2011 amounted to €4,478 thousand.

The implications of the aforementioned Standards and Interpretations with regard to the financial position, financial performance and cash flows of the Group are currently being analysed. However, the Group does not anticipate that its finan-

cial position, financial performance and cash flows will be affected by the application of said amendments.

## [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 relate to the useful lives of assets.

Material judgements 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.

### 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 31 December 2011, the carrying amount of goodwill was €143 thousand (prev. year: €143 thousand).

#### Impairment of non-financial assets

The Group determines at the end of each reporting period whether there are observable indications that a non-financial asset or group of non-financial assets is impaired. For the purpose of determining the value in use, the future expected cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the impact on interest and the risks specific to the asset. An appropriate valuation model is applied for the purpose of determining the fair value. The Group bases its impairment tests on detailed budget calculations that are prepared separately for each cash-generating unit. Budget planning spans a period of five years. As regards periods beyond this time frame, long-term growth rates are determined and applied to the projection of future cash flows beyond five years.

#### 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 [12].

#### Provisions

Provisions are recognised in accordance with the accounting policies discussed in Note [25]. 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 [23].

### [5] SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Business combinations

##### a) Business combinations as from 1 January 2010

Business combinations are accounted for by applying the acquisition method. The cost of a business combination is calculated as the sum of the consideration transferred, measured at the acquisition-date fair value, and any non-controlling interest in the acquiree. In the case of each business combination, the acquirer measures components of non-controlling interests either at fair value or at the proportionate share in the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses and presented as administration costs.

Goodwill is measured as the excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the consideration transferred is lower than the fair value of the net assets of the acquired subsidiary, the difference is accounted for in profit and loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, as from the date of acquisition goodwill acquired as part of a business combination is allocated to those cash-generating units of the Group that are expected to benefit from the business combination. This method is applied regardless of whether other assets or liabilities of the acquiree are allocated to these cash-generating units.

##### b) Business combinations prior to 1 January 2010

The method previously applied to the recognition and measurement of business combinations differed from the approach outlined above:

Business combinations were accounted for by applying the acquisition method. Transaction costs directly attributable to the acquisition represented part of the cost of the business combination. The non-controlling interest (previously referred to as minority interests) was measured at the corresponding pro-rata share of the identifiable net assets of the acquiree.

All business acquisitions of the Group were transacted prior to 1 January 2010.

### Currency translation

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

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

- SIMONA UK Ltd., Stafford, United Kingdom – Pound Sterling
- SIMONA POLSKA Sp. z o.o., Wrocław, Poland – Polish Zloty
- DEHOPLAST POSLKA 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
- OOO SIMONA RUS, Moscow, Russian Federation – Russian rouble

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 dif-

ferences are recorded in profit or loss for the period. This does not include monetary items that have been designated as part of a hedge of a net investment by the Group in a foreign operation. They are recognised in other comprehensive income until disposal of the net investment; the cumulative amount is reclassified in profit and loss only upon disposal. Taxes arising from exchange differences relating to these monetary items are also recognised directly in other comprehensive income.

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, the respective components of these assets are depreciated separately.

The carrying amounts of property, plant and equipment attributable to a cash-generating unit are tested for impairment as

soon as there are indications that the carrying amount of the assets of this cash-generating unit exceeds its recoverable amount. Items of property, plant and equipment are derecognised upon disposal. Gains and losses arising from the derecognition of an item of property, plant and equipment are determined as the difference between the net disposable proceeds and the carrying amount of the item; these gains and losses are included in profit or loss when the item is derecognised.

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.

### Leasing

Whether an agreement constitutes a lease is determined on the basis of the substance of the transaction detailed in the agreement at the time the agreement is concluded. This requires an assessment as to whether the fulfilment of the contractual agreement is dependent on the use of a specific asset or specific assets and whether the agreement grants the right to use the asset/assets even if this right is not specifically defined in the agreement.

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of an asset, are recognised as assets in the statement of financial position at the commencement of the lease term. As at 31 December 2011, no such finance leases existed within the Group.

Lease payments under an operating lease are recognised in the income statement as an expense on a straight-line basis and are presented as other operating expense.

### Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, form part of the cost of that asset and are capitalised accordingly. All other borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of

funds. No borrowing costs have been capitalised by the Group, as it does not possess qualifying assets.

### 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.

### 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 2011 or 2010.

#### **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, or of all assets of a cash-generating unit, is less than its carrying amount, the carrying amount of the asset or the cash-generating unit shall be reduced to its recoverable amount. That reduction is an impairment loss.

#### **Impairment of non-financial assets**

The Group determines at the end of each reporting period whether there are observable indications that a non-financial asset or group of non-financial assets is impaired. If such indications are present or if an annual impairment test of an asset or a group of assets is required, the Group makes an estimate of the recoverable amount of each asset or of the group of assets. 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. Impairment losses are recognised in profit or loss within the expense category that corresponds to the function of the impaired asset.

#### **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. No reclassifications have been performed to date.

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. Derivatives, 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. The Group has not made use of the option to designate financial assets or liabilities as “measured at fair value through profit or loss”.

Derivatives embedded within a host contract are recognised separately at their fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contracts are not held for trading purposes or are not designated as “at fair value through profit or loss”. These embedded derivatives are measured at their fair value; changes to the fair value are recognised in profit or loss. A reassessment is performed only upon amendments to the contractual terms and conditions if this leads to a significant change to the cash flows that would otherwise have resulted from the contract.

Non-derivative financial assets, quoted in an active market, 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. Unrealised 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 and active markets is determined on the basis of the market price quoted at the end of the reporting period. 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.

As regards available-for-sale 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. When determining the impairment of debt instruments classified as available for sale, the same criteria are used as those applied to financial assets measured at amortised cost. The amount recognised for impairments, however, is the cumulative loss determined as the difference between the amortised cost and the current fair value less any impairment losses of this instrument recognised in profit or loss on an earlier occasion.

### **Inventories**

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

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

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

### **Financial liabilities**

Financial liabilities within the meaning of IAS 39 are classified either as financial liabilities measured at fair value or as loans. The Group determines the classification of its financial liabilities upon initial recognition. All financial liabilities are measured at fair value upon initial recognition. The Group's financial liabilities comprise trade payables, other payables, bank overdrafts, loans and derivative financial 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 and cash equivalents**

Cash and cash equivalents recognised in the statement of financial position comprise cash on hand, bank balances and short-term deposits with original maturities of less than three months.

As regards the Group statement of cash flows, 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 end of the reporting period.

### **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 statement of financial position 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. The fair value of the plan assets is based on information regarding the market price; in the case of public securities, it corresponds to the published purchase price. 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 prorated on service or as the benefit/years of service method) (IAS 19). As part of this process, besides pensions and benefits known as at the end of the reporting period, expected future increases in salaries and pensions are accounted for with sufficient reliability. The calculation is based on actuarial reports that take into account specific biometric data. Actuarial gains and losses are recognised as income or expense if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10 per cent of the present value of the defined benefit obligation at that date (before deducting plan assets) and 10 per cent of the fair value of any plan assets at that date.

The amount recognised as a defined benefit liability is the net total of the present value of the defined benefit obligation at the end of the reporting period plus any actuarial gains (less any actuarial losses) not recognised minus any past service cost not yet recognised minus the fair value at the end of the reporting period of plan assets out of which the obligations are to be settled directly. Past service cost not yet vested is recognised as an expense on a straight-line basis over the average period until the benefits become vested. Past service cost is recognised as an expense to the extent that benefits become vested immediately following the introduction of, or changes to, a pension plan.

#### Government grants

A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Grants related to income are presented as part of profit or loss under the heading of “other operating income” and are recognised on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

#### 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. Management regularly assesses individual tax issues as to whether there is any room for interpretation on the basis of applicable tax regulations. Where required, tax provisions are recognised.

##### b) Deferred taxes

Applying the liability method, deferred taxes are recognised for all temporary differences between the carrying amount of an asset or liability in the statement of financial position 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.

Deferred taxes are recognised for all taxable and deductible temporary differences, with the exception of:

- Deferred tax liabilities from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit/tax loss.

- Deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries if the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and if they relate to the income taxes of the same taxable entity, imposed by the same taxation authority.

#### c) Value added tax

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

#### Derivative financial instruments and hedging instruments

Derivative 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 net finance cost/income.

## [6] SEGMENT REPORTING

For company management purposes, the Group is organised according to geographic regions and has the three following reportable operating segments:

- Germany
- Rest of Europe and Africa
- Asia, Americas and Australia

All three segments generate their revenues mainly through the sale of semi-finished plastics and pipes, as well as fittings and finished parts.

Management assesses the operating results of these segments for the purpose of making decisions as to the distribution of resources and determining the profitability of the business units. Segment profitability is determined on the basis of operating results from operating activities before the effects of financing activities and excluding income tax effects.

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). External sales revenue relates to the country in which the customer is domiciled. 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 segments. The differences in respect of the consolidated financial statements are presented in the reconciliation.

## SEGMENT INFORMATION BY REGION

	Germany		Rest of Europe and Africa		Asia, Americas and Australia		Eliminations		Group	
in € '000	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue from sales to external customers	104,624	90,625	151,978	132,689	51,897	44,475	0	-387	308,499	267,402
Revenue from sales to other segments	20,560	14,583	51,754	48,336	13,230	12,522	-85,544	-75,441	0	0
<b>Segment revenue</b>									<b>308,499</b>	<b>267,402</b>
Segment result	11,069	6,546	8,981	3,925	-246	-402			19,804	10,069
Segment assets	124,174	123,160	32,091	33,862	40,295	33,138			196,560	190,160
of which non-current	55,857	59,419	11,203	11,741	23,449	18,260			90,509	89,420
Segment liabilities	62,112	60,238	3,780	4,315	5,053	5,671			70,945	70,224
Segment capital expenditure	6,035	3,576	970	696	5,684	2,329			12,689	6,601
Depreciation/amortisation	9,229	9,842	1,106	1,138	1,596	1,626			11,931	12,606

A reconciliation between segment assets, segment liabilities and segment profit/loss and current and non-current assets and liabilities as well as profit before taxes is presented below:

#### RECONCILIATION

in € '000	31/12/2011	31/12/2010
Segment assets	196,560	190,160
Other financial assets	30,227	10,000
Cash and cash equivalents	26,139	39,316
Non-current tax assets	3,205	3,773
Current tax assets	752	1,567
Deferred tax assets	174	173
Financial assets	23	23
<b>Current and non-current assets</b>	<b>257,080</b>	<b>245,012</b>
	31/12/2011	31/12/2010
Segment liabilities	70,945	70,224
Deferred tax liabilities	5,187	5,654
Income tax liabilities	1,153	1,607
Non-current financial liabilities	4,728	4,848
Current financial liabilities	312	313
Derivative financial instruments	123	155
<b>Current and non-current liabilities</b>	<b>82,448</b>	<b>82,801</b>
	2011	2010
Segment result	19,804	10,069
Income from equity investments	650	500
Interest income	659	498
Interest expense	392	579
<b>Profit before taxes</b>	<b>20,721</b>	<b>10,488</b>

#### SEGMENT INFORMATION BY PRODUCT GROUPS

in € '000	2011	2010
<b>Sales revenue from external customers</b>		
Semi-finished and finished parts	229,422	196,816
Pipes and fittings	79,077	70,586
<b>Total</b>	<b>308,499</b>	<b>267,402</b>

#### NOTES TO GROUP INCOME STATEMENT

##### [7] REVENUE

Revenue is attributable solely to the sale of semi-finished plastics, pipes and fittings as well as finished parts. The classification of revenue by region and product segment is outlined in segment reporting – Note [6].

##### [8] STAFF COSTS

#### STAFF COSTS

in € '000	2011	2010
Salaries and wages	45,914	44,243
Expenses relating to social security	10,379	9,015
Expenses relating to pensions	2,327	2,618
<b>Total</b>	<b>58,620</b>	<b>55,876</b>

##### [9] 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.

##### [10] OTHER OPERATING EXPENSES

Other operating expenses include expenses relating to rental and lease agreements amounting to €2,135 thousand in the financial year under review (prev. year: €1,961 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.

Additionally, other operating expenses include expenses for outward freight amounting to €12,629 thousand (prev. year: €11,656 thousand), maintenance expenses of €9,513 thousand (prev. year: €9,608 thousand) and expenses for packaging material amounting to €6,508 thousand (prev. year: €4,810 thousand).

### [11] NET FINANCE INCOME

in € '000	2011	2010
<b>Interest income</b>	<b>659</b>	<b>498</b>
of which from the measurement of derivatives	35	163
of which from loans and receivables	624	335
in € '000	2011	2010
<b>Interest expense</b>	<b>392</b>	<b>579</b>
of which from borrowings and financial liabilities	392	579

### [12] INCOME TAXES

The principal elements of income tax expense for the 2011 and 2010 financial years are as follows:

#### GROUP INCOME STATEMENT

in € '000	2011	2010
<b>Current tax</b>		
Current tax expense	5,425	2,780
Adjustments of current tax attributable to previous periods	-305	230
Income from measurement of credits for the reduction of corporation tax	-170	-193
<b>Deferred tax</b>		
Origination and reversal of temporary differences	-468	446
<b>Income tax expense reported in the Group income statement</b>	<b>4,482</b>	<b>3,263</b>

Reconciliation between income tax expense and the product of profit for the year carried in the statement of financial position and the tax rate applicable to the Group for the 2011 and 2010 financial years is as follows:

in € '000	2011	2010
<b>Profit before taxes</b>	<b>20,721</b>	<b>10,488</b>
Income tax expense at German tax rate of 29.13 % (prev. year: 29.13 %)	6,036	3,055
Adjustments of current tax attributable to previous periods	-305	230
Income from measurement of credits for the reduction of corporation tax	-170	-193
Unrecognised deferred tax assets relating to tax losses	582	1,006
Loss carryforwards used in connection with deferred tax assets not recognised in previous year	-167	-136
Tax effect of non-deductible expenses	58	20
Tax rate differences	-574	-526
Tax-free dividend income	-277	-207
Amount recognised directly in equity without tax effects	100	0
Use of foreign tax credits as well as deferred tax assets relating thereto	-833	0
Other	32	14
<b>Income tax expense at effective tax rate of 21.63 % (prev. year: 31.11 %)</b>	<b>4,482</b>	<b>3,263</b>
<b>Income tax expense reported in the Group income statement</b>	<b>4,482</b>	<b>3,263</b>

At 31 December 2011, 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 €4,435 thousand (prev. year: €5,175 thousand). In the period under review, the credit for the reduction of corporation tax was measured at the present value of €3,923 thousand (prev. year: €4,492 thousand). Payouts in connection with the corporation tax credits will be made in six remaining annual instalments of €739 thousand p.a. in the period from 2012 to 2017. To the extent that these payments do not fall due within one year, the items are accounted for in the statement of financial position 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:

	Group statement of financial position		Group income statement	
in € '000	31/12/2011	31/12/2010	2011	2010
<b>Deferred tax liabilities</b>				
Non-current assets	7,291	7,758	-467	-196
Inventories	3,446	3,031	415	1,354
Receivables and other assets	344	261	83	93
Other provisions and liabilities	18	18	0	-34
	<b>11,099</b>	<b>11,068</b>	<b>31</b>	<b>1,217</b>
<b>Deferred tax assets</b>				
Provisions for pensions	4,692	4,626	-66	-1,061
Other provisions and liabilities	266	393	127	97
Inventories	469	455	-14	10
Loss carryforwards and tax credits	537	47	-490	132
Other items	122	66	-56	51
	<b>6,086</b>	<b>5,587</b>	<b>-499</b>	<b>-771</b>
After set-off:				
<b>Deferred tax assets</b>	<b>174</b>	<b>173</b>		
<b>Deferred tax liabilities</b>	<b>-5,187</b>	<b>-5,654</b>		
<b>Deferred tax income (prev. year tax expense)</b>			<b>-468</b>	<b>446</b>

At the end of the reporting period, loss carryforwards amounted to €15,906 thousand (prev. year: €12,544 thousand). Deferred tax assets of €65 thousand (prev. year: €47 thousand) were recognised for €261 thousand (prev. year: €271 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. Furthermore, the loss carryforwards are attributable to subsidiaries that have incurred losses over a period of several years, and at present there is no reasonably reliable indication that the earnings situation of these entities will 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	2011	2010
Between 3 and 20 years	14,874	11,579
Indefinite carryforward	1,032	965
	<b>15,906</b>	<b>12,544</b>

The distribution of dividends by the Group to shareholders has/had no implications relating to income taxes in 2011 or 2010.

## [13] 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 2011 or 2010 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	2011	2010
Profit or loss attributable to ordinary equity holders of the parent company	16,177	7,198
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)	26.96	12.00
Diluted earnings per share (in euro)	26.96	12.00

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

## [14] PAID AND PROPOSED DIVIDENDS

During the financial year a dividend, attributable to the ordinary shares of the parent company, in the amount of €6.50 per

share was declared and distributed. The total payment made in the financial year under review amounted to €3,900 thousand (prev. year: €3,600 thousand).

A dividend proposal of €9.50 per share (prev. year: €6.50 per share) will be submitted to the Annual General Meeting of Shareholders. The proposed total dividend was not recognised as a liability at the end of the reporting period. The corresponding payment would total €5,700 thousand (prev. year: €3,900 thousand).

## NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

### [15] INTANGIBLE ASSETS

#### 31 DECEMBER 2011

in € '000	Patents and licences	Goodwill	Total
Balance at 1 January 2011 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	1,151	143	1,294
Additions	173	0	173
Disposals	-11	0	-11
Amortisation during the financial year	-228	0	-228
Effects of changes in foreign currency exchange rates	52	0	52
<b>Balance at 31 December 2011</b> (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	<b>1,137</b>	<b>143</b>	<b>1,280</b>
Balance at 1 January 2011			
Cost of purchase/conversion (gross carrying amount)	8,592	143	8,735
Accumulated amortisation	-7,441	0	-7,441
<b>Carrying amount</b>	<b>1,151</b>	<b>143</b>	<b>1,294</b>
Balance at 31 December 2011			
Cost of purchase/conversion (gross carrying amount)	8,169	143	8,312
Accumulated amortisation	-7,032	0	-7,032
<b>Carrying amount</b>	<b>1,137</b>	<b>143</b>	<b>1,280</b>

In accordance with the method applied in the previous year, patents and licences are amortised systematically over their economic life of three to five years by using the straightline method.

#### 31 DECEMBER 2010

in € '000	Patents and licences	Goodwill	Total
Balance at 1 January 2010 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	1,269	143	1,412
Additions	89	0	89
Amortisation during the financial year	-277	0	-277
Effects of changes in foreign currency exchange rates	70	0	70
<b>Balance at 31 December 2010</b> (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	<b>1,151</b>	<b>143</b>	<b>1,294</b>
Balance at 1 January 2010			
Cost of purchase/conversion (gross carrying amount)	8,460	143	8,603
Accumulated amortisation	-7,191	0	-7,191
<b>Carrying amount</b>	<b>1,269</b>	<b>143</b>	<b>1,412</b>
Balance at 31 December 2010			
Cost of purchase/conversion (gross carrying amount)	8,592	143	8,735
Accumulated amortisation	-7,441	0	-7,441
<b>Carrying amount</b>	<b>1,151</b>	<b>143</b>	<b>1,294</b>

## [16] PROPERTY, PLANT AND EQUIPMENT

### 31 DECEMBER 2011

in € '000	Land and buildings	Plant and equipment	Total
Balance at 1 January 2011 (Cost of purchase/conversion, taking into account accumulat- ed depreciation/amortisation and impairments)	33,387	54,739	88,126
Additions	485	12,031	12,516
Disposals	-28	-430	-458
Depreciation/amortisation during the financial year	-1,721	-9,982	-11,703
Effects of changes in foreign currency exchange rates	347	401	748
<b>Balance at 31 December 2011</b> (Cost of purchase/conversion, taking into account accumulat- ed depreciation/amortisation and impairments)	<b>32,470</b>	<b>56,759</b>	<b>89,229</b>
Balance at 1 January 2011			
Cost of purchase or conversion	62,384	198,595	260,979
Accumulated depreciation/ amortisation and impairments	-28,997	-143,856	-172,853
<b>Carrying amount</b>	<b>33,387</b>	<b>54,739</b>	<b>88,126</b>
Balance at 31 December 2011			
Cost of purchase or conversion	63,167	202,587	265,754
Accumulated depreciation/ amortisation and impairments	-30,697	-145,828	-176,525
<b>Carrying amount</b>	<b>32,470</b>	<b>56,759</b>	<b>89,229</b>

### 31 DECEMBER 2010

in € '000	Land and buildings	Plant and equipment	Total
Balance at 1 January 2010 (Cost of purchase/conversion, taking into account accumulat- ed depreciation/amortisation and impairments)	33,938	58,901	92,839
Additions	471	6,041	6,512
Disposals	-19	-864	-883
Depreciation/amortisation dur- ing the financial year	-2,006	-10,323	-12,329
Effects of changes in foreign currency exchange rates	1,003	984	1,987
<b>Balance at 31 December 2010</b> (Cost of purchase/conversion, taking into account accumulat- ed depreciation/amortisation and impairments)	<b>33,387</b>	<b>54,739</b>	<b>88,126</b>
Balance at 1 January 2010			
Cost of purchase or conversion	60,888	196,577	257,465
Accumulated depreciation/ amortisation and impairments	-26,950	-137,676	-164,626
<b>Carrying amount</b>	<b>33,938</b>	<b>58,901</b>	<b>92,839</b>
Balance at 31 December 2010			
Cost of purchase or conversion	62,384	198,595	260,979
Accumulated depreciation/ amortisation and impairments	-28,997	-143,856	-172,853
<b>Carrying amount</b>	<b>33,387</b>	<b>54,739</b>	<b>88,126</b>

The useful lives of the assets were estimated as follows:

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

Other operating income includes gains of €102 thousand (prev. year: €109 thousand) from the disposal of property, plant and equipment; other operating expense includes losses of €356 thousand (prev. year: €139 thousand) from the disposal of property, plant and equipment.

**[17] INVENTORIES**

in € '000	31/12/2011	31/12/2010
Raw materials and supplies	19,004	14,601
Finished goods	38,279	35,914
<b>Inventories</b>	<b>57,283</b>	<b>50,515</b>

In the 2011 financial year inventory impairments rose by €478 thousand to €3,306 thousand compared to 31 December 2010. The cost of materials includes expenses relating to raw materials and supplies in the amount of €176,137 thousand (prev. year: €153,861 thousand).

**[18] TRADE RECEIVABLES**

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

in € '000	31/12/2011	31/12/2010
<b>Carrying amount</b>	<b>42,606</b>	<b>41,845</b>
Of which not impaired at the end of the reporting period and past due within the following time ranges		
Up to 30 days	4,080	4,853
Between 31 and 60 days	1,026	2,322
Between 61 and 90 days	420	470
Between 91 and 120 days	559	595
More than 120 days	1,731	1,075

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

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

in € '000	31/12/2011	31/12/2010
Balance of specific allowances at 1 January	1,151	919
Exchange differences	+2	+11
Allocated	+481	+284
Utilised	+40	-4
Reversed	-106	-59
<b>Balance of specific allowances at 31 December</b>	<b>1,568</b>	<b>1,151</b>

The following table includes expenses 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	2011	2010
Expenses attributable to the derecognition of trade receivables	37	263
Income attributable to amounts received in connection with derecognised trade receivables	24	45

## [19] NON-CURRENT TAX ASSETS AS WELL AS OTHER ASSETS AND PREPAID EXPENSES

### OTHER ASSETS AND PREPAID EXPENSES

in € '000	31/12/2011	31/12/2010
Other receivables	6,051	9,401
Receivables from other long-term investees and investors	69	62
Prepaid expenses	794	484
<b>Other assets and prepaid expenses</b>	<b>6,914</b>	<b>9,947</b>

Other receivables include reimbursement rights in respect of sales tax as well as receivables relating to energy tax. At the reporting date, other assets were neither impaired nor past due.

Non-current tax assets include the due reimbursement right in respect of credits for the reduction of corporation tax relating to SEStEG that is not due within one year.

## [20] CASH AND CASH EQUIVALENTS

in € '000	31/12/2011	31/12/2010
Bank balances and cash on hand	26,139	39,316
<b>Cash and cash equivalents</b>	<b>26,139</b>	<b>39,316</b>

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

At 31 December 2011, the Group had undrawn borrowing facilities of €8,546 thousand (prev. year: €6,600 thousand).

## [21] EQUITY

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

### Issued capital

As at 31 December 2011, 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	31/12/2011	31/12/2010
Share capital	15,500	15,500
<b>Issued capital</b>	<b>15,500</b>	<b>15,500</b>

### Other reserves

in € '000	31/12/2011	31/12/2010
Currency translation effects	-45	-260
<b>Other reserves</b>	<b>-45</b>	<b>-260</b>

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

## [22] FINANCIAL LIABILITIES

in € '000	Due date	31/12/2011	31/12/2010
<b>Current liabilities</b>			
Pro-rata loan of USD 3 million (principal repayments due by 31/12/2012)	09/2012	257	249
Pro-rata loan of USD 210 thousand (principal repayments due by 31/12/2012)	01/2012 - 12/2012	23	24
Liabilities from deferred interest attributable to USD loans (current liabilities)	03/2012 - 06/2012	32	35
Bank overdrafts	on demand	0	5
		<b>312</b>	<b>313</b>
<b>Non-current liabilities</b>			
Loan of USD 5 million (nominal amount)	12/2013	3,864	3,742
Pro-rata loan of USD 3 million (principal repayments due after 31/12/2012)	09/2013 - 09/2015	773	998
Pro-rata loan of USD 210 thousand (principal repayments due after 31/12/2012)	01/2013 - 10/2016	91	108
		<b>4,728</b>	<b>4,848</b>

Fixed or floating interest rates of between 4.9 per cent and 6.8 per cent have been agreed in respect of the interest-bearing loans. Interest is computed either on the basis of the nominal value of the loan or the remaining amount of the loan.

SIMONA AG, Kirn, issued absolute suretyships in respect of loans for the benefit of its subsidiaries.

### [23] 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 [24]), 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 statement of financial position for the respective plans.

Expenses included in staff costs for retirement benefits:

in € '000	31/12/2011	31/12/2010
Current service cost	863	934
Interest cost	1,655	1,733
Actuarial gain	-191	-49
<b>Cost of retirement benefits</b>	<b>2,327</b>	<b>2,618</b>

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

in € '000	31/12/2011	31/12/2010
Obligation at beginning of reporting period	39,570	38,335
Current service cost	863	934
Interest cost	1,655	1,733
Actuarial gain	-191	-49
Benefits paid	-1,259	-1,383
<b>Obligation at end of reporting period</b>	<b>40,638</b>	<b>39,570</b>
- of which non-current liability	39,311	38,322
- of which current liability	1,327	1,248

The Group anticipates expenses of €2,711 thousand in connection with defined benefit pension plans for the 2012 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.

#### LIABILITIES ATTRIBUTABLE TO DEFINED BENEFIT OBLIGATIONS

in € '000	31/12/2011	31/12/2010
Present value of defined benefit obligation	36,160	32,946
Unrecognised actuarial gains attributable to the obligation	4,478	6,625
<b>Liabilities attributable to defined benefit obligations</b>	<b>40,638</b>	<b>39,570</b>

The present values of the defined benefit obligations of the current and the previous four annual reporting periods are as follows:

in € '000	2011	2010	2009	2008	2007
Present value of defined benefit obligations	36,160	32,946	34,022	32,826	33,598

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

	31/12/2011	31/12/2010
Discount rate	5.00 %	5.15 %
Salary increase	2.50 %	2.50 %
Pension adjustments	1.87 %	1.50 %
Mortality (mortality tables published by K. Heubeck)	2005 G	2005 G

#### [24] 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	31/12/2011	31/12/2010
Present value of defined benefit plans at the beginning of the year	30,412	28,500
Current service cost	1,271	1,158
Interest cost	1,627	1,477
Benefits paid	-749	-723
<b>Present value of defined benefit plans at the end of the year</b>	<b>32,561</b>	<b>30,412</b>
Market value of fund assets at the beginning of the year	39,208	38,597
Disposals of financial assets	-749	-723
Return on fund assets	2,680	1,334
Market value of fund assets at the end of the year	41,139	39,208
<b>Surplus plan assets</b>	<b>8,578</b>	<b>8,796</b>

As regards the basic assumptions for determining the pension obligations, please refer to the details in Note [23].

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 €19,662 thousand (prev. year: €18,900 thousand) as at 31 December 2011.

Assets (liabilities) attributable to defined benefit obligations:

in € '000	31/12/2011	31/12/2010
Defined benefit obligation	-32,561	-30,412
Fair value of plan assets	41,139	39,208
Overfunded	8,578	8,796
Unrecognised actuarial losses attributable to the obligation	4,670	1,620
<b>Assets attributable to defined benefit obligations</b>	<b>13,248</b>	<b>10,416</b>

The amounts of the defined benefit obligations and the plan assets relating to the current and the four previous annual reporting periods are as follows:

in € '000	2011	2010	2009	2008	2007
Present value of defined benefit obligations	-32,561	-30,412	-28,500	-27,327	-27,381
Fair value of plan assets	41,139	39,208	38,597	39,074	40,276
	<b>8,578</b>	<b>8,796</b>	<b>10,097</b>	<b>11,747</b>	<b>12,895</b>

## [25] OTHER PROVISIONS

in € '000	Personnel-related obligations	Guarantees/warranties	Other items	Total
<b>Balance at 1 January 2011</b>	<b>4,860</b>	<b>3,315</b>	<b>396</b>	<b>8,571</b>
Allocated	1,490	1,084	0	2,574
Utilised	2,268	721	281	3,270
Reversed	100	11	109	220
Compounding	0	40	0	40
<b>Balance at 31 December 2011</b>	<b>3,982</b>	<b>3,707</b>	<b>6</b>	<b>7,695</b>
Short-term provisions	1,430	815	0	2,245
Long-term provisions	2,552	2,892	6	5,450
<b>Balance at 31 December 2011</b>	<b>3,982</b>	<b>3,707</b>	<b>6</b>	<b>7,695</b>
Short-term provisions	1,424	721	390	2,535
Long-term provisions	3,436	2,594	6	6,036
<b>Balance at 31 December 2010</b>	<b>4,860</b>	<b>3,315</b>	<b>396</b>	<b>8,571</b>

Personnel-related provisions encompass obligations in connection with agreements regarding part-time employment of staff approaching retirement and provisions relating to anniversaries. Personnel-related provisions are measured on the basis of actuarial figures.

At the reporting date, obligations in connection with agreements regarding part-time employment of staff approaching retirement amounted to €3,099 thousand (prev. year: €3,748 thousand). This item is composed of obligations for performance-related arrears, additional compensation and severance payments.

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 5 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.

In 2010, other provisions included provisions of €390 thousand in connection with restructuring measures at the Wuerdinghausen plant, which was closed down on 30 September 2010. In 2011, an amount of €281 thousand relating to the provision was utilised. The remaining provision of €109 thousand was reversed in 2011.

## [26] STATEMENT OF CASH FLOWS

The statement of cash flows presents changes to cash and cash equivalents during the financial year by outlining cash inflows and outflows. In accordance with IAS 7, the statement of cash flows includes information relating to cash flows from operating activities, investing activities and financing activities. As at 31 December, total cash and cash equivalents, together with current financial liabilities, were as follows:

in € '000	31/12/2011	31/12/2010
Cash and cash equivalents	26,139	39,316
Current financial liabilities (excluding liabilities attributable to loans)	-32	-40
	<b>26,107</b>	<b>39,276</b>

The effects of changes to cash and cash equivalents attributable to exchange rates were €167 thousand (prev. year: €734 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 profit before taxes, i.e. via changes to the Group statement of financial position, having accounted for the effects of currency translation.

## [27] 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
- Dirk Möller, Deputy Chairman of the Management Board, Kirn
- Detlef Becker, Saarbrücken (until 9 December 2011)
- Fredy Hiltmann, Kirn (from 1 January 2012)

### Supervisory Board

- Hans-Werner Marx, Kirn  
Kaufmann  
Chairman of the Supervisory Board
- Dr. Rolf Gößler, Bad Dürkheim  
Diplom-Kaufmann  
Deputy Chairman of the Supervisory Board  
Member of the Supervisory Board of J. Engelsmann AG, Ludwigshafen
- Roland Frobel, Isernhagen  
Managing Director of Dirk Rossmann GmbH, Burgwedel  
Member of the Supervisory Board of Deutsche Beteiligungs AG, Frankfurt (since 23 March 2011)  
Member of the Advisory Board of Saxonia Holding GmbH, Wolfsburg (since 11 November 2011)
- Dr. Roland Reber, Stuttgart  
Managing Director of Ensinger GmbH, Nufringen
- Bernd Meurer, Hennweiler  
(Employee Representative, until 28 February 2012)
- Gerhard Flohr, Bergen  
(Employee Representative, since 28 February 2012)
- Andreas Bomm, Schmidthachenbach  
(Employee Representative, since 28 February 2012)

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

Dr. Roland Reber, member of the Supervisory Board of SIMONA AG, is also the Managing Director of Ensinger GmbH, Nufringen. The two entities maintain business relations with each other on arm's length terms. In the financial year under review, product sales amounting to €303 thousand were transacted between SIMONA AG and Ensinger GmbH, Nufringen.

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.

As part of its ordinary operating activities, SIMONA AG provides various services for the subsidiaries included in the consolidated financial statements. Conversely, the respective Group companies render services within the SIMONA Group in the context of their business purpose. These business transactions relating to the supply of goods and the rendering of services are made at market prices.

We received no mandatory notifications in the period under review.

#### **Compensation of members of the Management Board and Supervisory Board**

Total Management Board compensation amounted to €1,512 thousand in the period under review (prev. year: €1,553 thousand). It comprises €839 thousand (prev. year: €1,034 thousand) in fixed-level compensation and €673 thousand (prev. year: €519 thousand) in bonus payments. The company does not grant loans to members of the Management Board.

Post-employment benefits of €8,328 thousand (prev. year: €7,756 thousand) have been provisioned for active members of the Management Board, former members of the Management Board and their surviving dependants. The allocation to provisions for active members of the Management Board was €473 thousand (prev. year: €734 thousand). Compensation of former Management Board members and their surviving dependants amounted to €406 thousand (prev. year: €592 thousand).

Supervisory Board compensation at Group level totalled €118 thousand in the 2011 financial year (prev. year: €121 thousand). Supervisory Board compensation encompasses no variable components.

### **[28] 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 a floating-rate US dollar loan. In the 2011 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 statement of financial position. 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 31 December 2011, the net finance result would have been €22 thousand higher and €23 thousand lower respectively.

Had the market interest rate of the US dollar been 100 basis points higher or lower at 31 December 2010, the net finance result would have been €32 thousand higher and €34 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.

Exchange rate risks attributable to the finance area exist with regard to the origination of a US dollar loan in December 2008 for the benefit of an Asian subsidiary, which has accounted for an intercompany receivable in the same amount. Therefore, 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. As at the reporting date, no foreign exchange forward contracts and currency options were used for the purpose of hedging currency risks associated with operating activities.

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. 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 31 December 2011, the euro had appreciated (depreciated) by 10 per cent against all other currencies, profit before taxes would have been €1,335 thousand lower (€1,631 thousand higher).

The hypothetical effect on profit of minus €1,335 thousand (plus €1,631 thousand) is attributable to the following sensitivity to exchange rates:

in € '000	Effect on profit		Effect on equity	
	before taxes			
EUR/USD	-675	(824)	-809	(989)
EUR/GBP	-307	(375)	0	0
EUR/CZK	+326	(-399)	0	0
EUR/PLN	-118	(144)	0	0
EUR/HKD	-549	(671)	0	0
EUR/CNY	-2	(3)	0	0
EUR/RUB	-10	(13)	0	0
	<b>-1,335</b>	<b>(1,631)</b>	<b>-809</b>	<b>(989)</b>

If, as at 31 December 2010, the euro had appreciated (depreciated) by 10 per cent against all other currencies, profit before tax would have been €2,311 thousand lower (€2,825 thousand higher).

The hypothetical effect on profit of minus €2,311 thousand (plus €2,825 thousand) is attributable to the following sensitivity to exchange rates:

in € '000			
EUR/USD	-696	(851)	
EUR/CHF	-1	(1)	
EUR/GBP	-526	(643)	
EUR/CZK	-389	(475)	
EUR/PLN	-197	(241)	
EUR/HKD	-502	(614)	
	<b>-2,311</b>	<b>(2,825)</b>	

### 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 and cash equivalents amounting to €26.1 million, the SIMONA Group has undrawn borrowing facilities of €8.5 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 31 December 2011, 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 payables	547	5,031	0	5,578
Trade payables	11,223	0	0	11,223
Other liabilities and deferred income	11,217	0	0	11,217
<b>Financial liabilities</b>	<b>22,987</b>	<b>5,031</b>	<b>0</b>	<b>28,018</b>

As at 31 December 2010, 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 payables	547	5,382	20	5,949
Trade payables	11,202	0	0	11,202
Other liabilities and deferred income	10,670	0	0	10,670
<b>Financial liabilities</b>	<b>22,419</b>	<b>5,382</b>	<b>20</b>	<b>27,821</b>

As in the previous financial year, at 31 December 2011, there were no foreign exchange forward contracts that would result in amounts due to the entity or payment obligations.

The market valuation of interest rate swaps resulted in a net payment obligation of €123 thousand (prev. year: €155 thousand).

As in the previous financial year, at 31 December 2011, there were no currency options that would result in amounts due to the entity or payment obligations.

### 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.

## [29] 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		31/12/2011	31/12/2010	31/12/2011	31/12/2010
Non-current financial assets					
Financial assets	HtM	23	23	23	23
Current financial assets					
Other financial assets	HtM	20,227	0	20,227	0
Other financial assets	AfS	10,000	10,000	10,000	10,000
Cash and short-term deposits	LaR	26,139	39,316	26,139	39,316
Trade receivables	LaR	42,606	41,845	42,606	41,845
Financial liabilities					
Bank overdrafts	FLAC	0	-5	0	-5
Other current financial liabilities	FLAC	-32	-35	-32	-35
Loans	FLAC	-5,008	-5,121	-5,008	-5,121
Interest-rate swap	FLHfT	-123	-155	-123	-155
Trade payables	FLAC	-11,223	-11,202	-11,223	-11,202
Total by measurement category					
HtM		20,250	23	20,250	23
AfS		10,000	10,000	10,000	10,000
LaR		68,745	81,161	68,745	81,161
FLAC		-16,263	-16,363	-16,263	-16,363
FLHfT		-123	-155	-123	-155

(HtM = Held to Maturity, AfS = Available for Sale, LaR = Loans and Receivables, 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.

Financial assets held to maturity (HtM) include fixed-term deposits totalling €20,227 thousand, which are due between January and November 2012.

The available-for-sale financial assets (AfS) include non-exchange-listed debt instruments whose fair value was reliably measurable and was thus measured at a fair value of €10,000 thousand as at 31 December 2011.

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

**2011: NET GAINS AND LOSSES BY MEASUREMENT CATEGORY**

in € '000	Interest	Fair Value	Currency translation	Impairment	
				loss/ Disposal	Total
LaR	624	0	939	-430	1,133
HfT	0	35	0	0	35
FLAC	-368	0	0	0	-368
<b>Total</b>	<b>256</b>	<b>35</b>	<b>939</b>	<b>-430</b>	<b>800</b>

**2010: NET GAINS AND LOSSES BY MEASUREMENT CATEGORY**

in € '000	Interest	Fair Value	Currency translation	Impairment	
				loss/ Disposal	Total
LaR	335	0	805	-449	691
HfT	0	3	263	0	266
FLAC	-501	0	0	0	-501
<b>Total</b>	<b>-166</b>	<b>3</b>	<b>1,068</b>	<b>-449</b>	<b>456</b>

**Hedging transactions****Cash flow hedging instruments**

As at 31 December 2011 and 31 December 2010, the Group held no forward currency contracts.

At the reporting date, the Group had an interest-rate swap used for the purpose of hedging risk arising from changes in the cash flow of the floating-rate US dollar loan. The term is based on the underlying loan.

As at 31 December 2011 and 31 December 2010, the Group held no currency options.

The Group uses the following hierarchy for the purpose of determining and disclosing the fair values of financial instruments per measurement method:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: methods for which all inputs with a significant effect on the recognised fair value are observable either directly or indirectly
- Level 3: methods that use inputs which have a significant effect on the recognised fair value and are not based on observable market data

**Assets measured at fair value:**

in € '000	as at 31 December			
	2011	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Securities	10,000	0	10,000	0

The securities disclosed above are a bonded loan. The bonded loan is due on 10 May 2013 at the latest, but can be cancelled by the lender at any time. The bonded loan bears interest based on the six-month EURIBOR rate plus a floating premium. The floating premium amounted to 25 basis points and rises each half-year until it has reached 125 basis points at the end of maturity.

in € '000	as at 31 December			
	2010	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Securities	10,000	0	10,000	0

Liabilities measured at fair value:

	as at 31 December 2011	Level 1	Level 2	Level 3
in € '000				
Financial liabilities at fair value through profit or loss				
Interest-rate swap	123	0	123	0

	as at 31 December 2010	Level 1	Level 2	Level 3
in € '000				
Financial liabilities at fair value through profit or loss				
Interest-rate swap	155	0	155	0

## [30] 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.

### OWNERSHIP INTEREST

	in %
SIMONA Beteiligungs-GmbH, Kirn, Germany	100.0
SIMONA UK Ltd., Stafford, United Kingdom	100.0
SIMONA S.A.S., Domont, France	100.0
SIMONA S.r.l., Vimodrone, Italy	100.0
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
OOO SIMONA RUS, Moscow, Russian Federation	100.0

The interest held in the capital of SIMONA S.A.S., Domont (France) (until 2 May 2011 SIMONA S.A.) amounts to 100.0 per cent (prev. year: 96.6 per cent); the interest held in the capital of SIMONA S.r.l., Vimodrone (Italy) amounts to 100.0 per cent (prev. year: 98.0 per cent). Effective from the date of formation on 22 July 2011, the interest held in the capital of OOO SIMONA RUS, Moscow (Russian Federation) amounts to 100.0 per cent (prev. year: 0.0 per cent).

### 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 31/12/2010	Profit/loss 2010
Company	in %	in € '000	in € '000
SIMONA Sozialwerk GmbH, Kirn, Germany	50.0	14,142	-135
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn, Germany	50.0	7,678	374

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.

The interests in SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH are accounted for at book value, as the fair value is not reliably determinable. The book values of SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH are €10 thousand and €13 thousand respectively.

### Average number of staff employed during the financial year:

#### GROUP

	2011	2010
Industrial staff	725	710
Clerical staff	473	457
	<b>1,198</b>	<b>1,167</b>
School-leaver trainees (apprentices)	50	51
<b>Total number of employees</b>	<b>1,248</b>	<b>1,218</b>

### 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.

in € '000	31/12/2011	31/12/2010
<b>Other financial commitments</b>		
Commitments from operating rental and lease agreements		
Due within:		
1 year	1,391	1,302
2 - 5 years	2,285	1,578
after 5 years	0	0
	<b>3,676</b>	<b>2,880</b>
<b>Purchase commitments arising from investment projects</b>	<b>5,677</b>	<b>1,916</b>

### Declaration of Conformity regarding the German Corporate Governance Code

In accordance with Section 161 AktG, the Company filed a Declaration of Conformity for 2011 on 9 March 2012. It has been made permanently available to shareholders on its corporate website at [www.simona.de](http://www.simona.de).

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

As at 1 July 2011 (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 1,689 shares, which corresponds to 0.28 per cent of share capital.

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

**Audit fees**

Professional fees accounted for as expense in connection with the year-end financial audit amounted to €127 thousand, while fees attributable to tax consulting services amounted to €25 thousand and other services totalled €41 thousand.

**Events after the reporting period**

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

Kirn, 30 March 2012  
SIMONA Aktiengesellschaft

The Management Board

## Group Statement of Cash Flows of SIMONA AG for the 2011 Financial Year

in € '000	Notes	01/01 - 31/12/2011	01/01 - 31/12/2010
Profit before taxes		20,721	10,488
Income taxes paid		-4,135	-3,010
Interest expense/income	[11]	-267	81
Amortisation of intangible assets and depreciation of property, plant and equipment	[15], [16]	11,931	12,606
Other non-cash expenses and income		-1,389	-824
Change in pensions	[23]	1,068	1,235
Result from disposal of non-current assets	[16]	254	30
Change in inventories	[17]	-6,768	-6,521
Change in trade receivables	[18]	-761	-8,525
Change in other assets		3,601	-2,338
Change in liabilities and other provisions		-833	-130
<b>Net cash from operating activities</b>		<b>23,422</b>	<b>3,092</b>
Investments in intangible assets and property, plant and equipment	[15], [16]	-12,689	-6,601
Payments for the acquisition of interests in subsidiaries		-94	0
Payments relating to the short-term financial management of cash investments		-20,227	-10,000
Proceeds from the disposal of non-current assets		215	853
<b>Net cash used in investing activities</b>		<b>-32,795</b>	<b>-15,748</b>
Repayment of financial liabilities		-280	-6,337
Dividend paid to owners of the parent	[14]	-3,900	-3,600
Dividend paid to non-controlling interests		-15	0
Interest received		624	335
Interest paid		-392	-579
<b>Net cash used in financing activities</b>		<b>-3,963</b>	<b>-10,181</b>
<b>Effect of foreign exchange rate changes on liquidity</b>	[26]	167	734
<b>Change in cash and cash equivalents</b>	[26]	<b>-13,169</b>	<b>-22,103</b>
Cash and cash equivalents at 1 January	[26]	39,276	61,379
Cash and cash equivalents at 31 December	[26]	26,107	39,276
<b>Change in cash and cash equivalents</b>	[26]	<b>-13,169</b>	<b>-22,103</b>

## Group Statement of Changes in Equity of SIMONA AG for the 2011 Financial Year

		EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY			
	Notes	Issued capital		Capital reserves	Revenue reserves
in € '000		Share capital	Total		Legal reserve
	[21]				
Balance at 01/01/2010		15,500	15,500	15,274	397
Amount recognised directly in equity		0	0	0	0
Profit for the period		0	0	0	0
<b>Total comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Appropriations to other revenue reserves		0	0	0	0
Dividend payment	[14]	0	0	0	0
<b>Balance at 31/12/2010</b>		<b>15,500</b>	<b>15,500</b>	<b>15,274</b>	<b>397</b>
Balance at 01/01/2011		15,500	15,500	15,274	397
Amount recognised directly in equity		0	0	0	0
Profit for the period		0	0	0	0
<b>Total comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Dividend payment	[14]	0	0	0	0
Distribution to non-Group parties		0	0	0	0
Other changes		0	0	0	0
<b>Balance at 31/12/2011</b>		<b>15,500</b>	<b>15,500</b>	<b>15,274</b>	<b>397</b>

				Other reserves	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Statutory reserves	Other revenue reserves	Accumulated profit for the period	Total	Currency translation differences		
				[21]		
2,847	86,655	37,856	127,755	-1,225	242	157,546
0	0	72	72	965	3	1,040
0	0	7,198	7,198	0	27	7,225
<b>0</b>	<b>0</b>	<b>7,270</b>	<b>7,270</b>	<b>965</b>	<b>30</b>	<b>8,265</b>
0	5,762	-5,762	0	0	0	0
0	0	-3,600	-3,600	0	0	-3,600
<b>2,847</b>	<b>92,417</b>	<b>35,764</b>	<b>131,425</b>	<b>-260</b>	<b>272</b>	<b>162,211</b>
2,847	92,417	35,764	131,425	-260	272	162,211
0	0	0	0	215	-24	191
0	0	16,177	16,177	0	62	16,239
<b>0</b>	<b>0</b>	<b>16,177</b>	<b>16,177</b>	<b>215</b>	<b>38</b>	<b>16,430</b>
0	0	-3,900	-3,900	0	0	-3,900
0	0	0	0	0	-15	-15
0	0	0	0	0	-94	-94
<b>2,847</b>	<b>92,417</b>	<b>48,041</b>	<b>143,702</b>	<b>-45</b>	<b>201</b>	<b>174,632</b>

## Details of Shareholdings of SIMONA AG

Company	Ownership Interest	Equity	Profit/loss of last financial year
	per cent	€ '000	€ '000
<b>Indirectly</b>			
SIMONA S.A.S., Domont, France	100.0	2,548	35
SIMONA S.r.l., Vimodrone, Italy	100.0	389	-28
SIMONA UK Ltd., Stafford, United Kingdom	100.0	1,188	241
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain	100.0	104	78
SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai, China	100.0	1,143	289
SIMONA ENGINEERING PLASTICS Co. Ltd., Jiangmen, China	100.0	7,711	-1,128
64 NORTH CONAHAN DRIVE HOLDING LLC, Hazleton, USA	100.0	2,818	0
<b>Directly</b>			
SIMONA-PLASTICS CZ, s.r.o., Prague, Czech Republic	100.0	362	-10
SIMONA FAR EAST Ltd., Hong Kong, China	100.0	1,180	58
SIMONA POLSKA Sp. z o.o., Wrocław, Poland	100.0	832	139
SIMONA Sozialwerk GmbH, Kirn (2010)	50.0	14,142	-135
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn (2010)	50.0	7,678	374
SIMONA Beteiligungs-GmbH, Kirn	100.0	1,834	0
SIMONA AMERICA Inc., Hazleton, USA	100.0	3,006	-632
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic	100.0	15,885	4,120
SIMONA ASIA Ltd., Hong Kong, China	100.0	5,021	-293
DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland	51.0	411	127
OOO SIMONA RUS, Moscow, Russian Federation	100.0	-41	-66

## Auditor's Report

We have audited the consolidated financial statements of SIMONA AG, Kirn, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the Group management report for the financial year from 1 January to 31 December 2011. The legal representatives of the Company are responsible for the preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as adopted by the EU, as well as in compliance with the additional provisions set out in Section 315a(1) of the German Commercial Code (Handelsgesetzbuch – HGB). Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the HGB and in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit also includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles applied and the significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a(1) HGB and give a true and fair view of the net assets, financial position and results of operations 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, 5 April 2012

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

von Seidel  
German Public Accountant

Erbacher  
German Public Accountant

## 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 give a true and fair view of the assets, liabilities, financial position and profit or loss of the SIMONA Group, and the management report includes a fair review of the development and performance of the business and the position of the SIMONA Group, together with a description of the principal opportunities and risks associated with the expected development of the SIMONA Group.”

Kirn, 30 March 2012  
SIMONA Aktiengesellschaft

The Management Board



## SIMONA worldwide



### SIMONA AG

**Teichweg 16**  
**D-55606 Kirn**  
**Germany**  
 Phone +49 (0) 67 52 14-0  
 Fax +49 (0) 67 52 14-211  
 mail@simona.de  
 www.simona.de

### PRODUCTION SITES

**Plant I/II**  
 Teichweg 16  
 D-55606 Kirn  
 Germany  
 Phone +49 (0) 67 52 14-0  
 Fax +49 (0) 67 52 14-211

**Plant III**  
 Gewerbestraße 1-2  
 D-77975 Ringsheim  
 Germany  
 Phone +49 (0) 78 22 436-0  
 Fax +49 (0) 78 22 436-124

**SIMONA Plast-Technik s.r.o.**  
 U Autodilen 23  
 CZ-43603 Litvínov-Chudeřín  
 Czech Republic

**SIMONA ENGINEERING PLASTICS**  
**(Guangdong) Co. Ltd.**  
 No. 368 Jinou Road  
 High & New Technology Industrial  
 Development Zone  
 Jiangmen, Guangdong  
 China 529000

**SIMONA AMERICA Inc.**  
 64 N. Conahan Drive  
 Hazleton, PA 18201  
 USA

### SALES OFFICES

**SIMONA S.A.S. FRANCE**  
 Z.I. 1, rue du Plant Leger  
 F-95335 Domont Cedex  
 Phone +33 (0) 1 39 35 49 49  
 Fax +33 (0) 1 39 91 05 58  
 mail@simona-fr.com  
 www.simona-fr.com

**SIMONA UK LIMITED**  
 Telford Drive  
 Brookmead Industrial Park  
 GB-Stafford ST16 3ST  
 Phone +44 (0) 1785 22 24 44  
 Fax +44 (0) 1785 22 20 80  
 mail@simona-uk.com  
 www.simona-uk.com

**SIMONA AG SCHWEIZ**  
 Industriezone  
 Bäumlmattstraße 16  
 CH-4313 Möhlin  
 Phone +41 (0) 61 8 55 90 70  
 Fax +41 (0) 61 8 55 90 75  
 mail@simona-ch.com  
 www.simona-ch.com

**SIMONA S.r.l. ITALIA**  
 Via Padana Superiore 19/B  
 I-20090 Vimodrone (MI)  
 Phone +39 02 25 08 51  
 Fax +39 02 25 08 520  
 mail@simona-it.com  
 www.simona-it.com

**SIMONA IBERICA**  
**SEMIELABORADOS S.L.**  
 Doctor Josep Castells, 26-30  
 Polígono Industrial Fonollar  
 E-08830 Sant Boi de Llobregat  
 Phone +34 93 635 41 03  
 Fax +34 93 630 88 90  
 mail@simona-es.com  
 www.simona-es.com

**SIMONA-PLASTICS CZ, s.r.o.**  
 Zdebradská ul. 70  
 CZ-25101 Říčany-Jažlovce  
 Phone +420 323 63 78 3-7/-8/-9  
 Fax +420 323 63 78 48  
 mail@simona-cz.com  
 www.simona-cz.com

**SIMONA POLSKA Sp. z o.o.**  
 ul. H. Kamieńskiego 201-219  
 PL-51-126 Wrocław  
 Phone +48 (0) 71 3 52 80 20  
 Fax +48 (0) 71 3 52 81 40  
 biuro@simona.pl  
 www.simona-pl.com

**OOO "SIMONA RUS"**  
 Prospekt Andropova, 18, Bl. 6  
 115432 Moscow  
 Russian Federation  
 Phone +7 (499) 683 00 41  
 Fax +7 (499) 683 00 42  
 mail@simona-ru.com  
 www.simona-ru.com

### SIMONA FAR EAST LIMITED

Room 501, 5/F  
 CCT Telecom Building  
 11 Wo Shing Street  
 Fo Tan  
 Hongkong  
 Phone +852 29 47 01 93  
 Fax +852 29 47 01 98  
 sales@simona.com.hk

### SIMONA ENGINEERING PLASTICS

**TRADING (Shanghai) Co. Ltd.**  
 Room C, 19/F, Block A  
 Jia Fa Mansion  
 129 Da Tian Road, Jing An District  
 Shanghai  
 China 200041  
 Phone +86 21 6267 0881  
 Fax +86 21 6267 0885  
 shanghai@simona.com.cn

### SIMONA AMERICA Inc.

64 N. Conahan Drive  
 Hazleton, PA 18201  
 USA  
 Phone +1 866 501 2992  
 Fax +1 800 522 4857  
 mail@simona-america.com  
 www.simona-america.com

## Sharholdings of SIMONA AG

### SIMONA AG, KIRN

<b>SIMONA Beteiligungs-GmbH</b> Kirn, Germany		100.0 %
	<b>SIMONA S.A.S.</b> Domont, France	100.0 %
	<b>SIMONA S.r.l.</b> Vimodrone, Italy	100.0 %
	<b>SIMONA UK Ltd.</b> Stafford, United Kingdom	100.0 %
	<b>SIMONA IBERICA SEMIELABORADOS S.L.</b> Barcelona, Spain	100.0 %
<b>SIMONA Sozialwerk GmbH</b> Kirn, Germany		50.0 %
<b>SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH</b> Kirn, Germany		50.0 %
<b>SIMONA-PLASTICS CZ, s.r.o.</b> Prague, Czech Republic		100.0 %
<b>SIMONA Plast-Technik s.r.o.</b> Litvinov, Czech Republic		100.0 %
<b>SIMONA POLSKA Sp. z o.o.</b> Wrocław, Poland		100.0 %
<b>DEHOPLAST POLSKA Sp. z o.o.</b> Kwidzyn, Poland		51.0 %
<b>SIMONA AMERICA Inc.</b> Hazleton, USA		100.0 %
	<b>64 NORTH CONAHAN DRIVE HOLDING LLC</b> Hazleton, USA	100.0 %
<b>SIMONA FAR EAST Ltd.</b> Hong Kong, China		100.0 %
	<b>SIMONA ENGINEERING PLASTICS TRADING Co. Ltd.</b> Shanghai, China	100.0 %
<b>SIMONA ASIA Ltd.</b> Hong Kong, China		100.0 %
	<b>SIMONA ENGINEERING PLASTICS Co. Ltd.</b> Jiangmen, China	100.0 %
<b>OOO SIMONA RUS</b> Moscow, Russian Federation		100.0 %

## **IMPRINT**

### **Editor**

SIMONA AG  
Investor Relations  
Teichweg 16  
D-55606 Kirn

Phone +49 (0) 67 52 14-383  
Fax +49 (0) 67 52 14-738  
ir@simona.de  
www.simona.de

### **Conceived and designed by**

kommunikation + design  
werbeagentur raab gmbh, Mainz  
www.komdes.de

### **Background images**

- Getty Images:  
cover picture and farmland
- Maground:  
city and bridge motif
- Joachim Hasche:  
Port of Hamburg
- istockphoto:  
chemical plant

## Financial Calendar 2012

Financial Report of SIMONA Group and SIMONA AG	25 April 2012
Analyst Conference for 2011 Annual Results (Frankfurt)	25 April 2012
Interim Announcement within the First Half	25 April 2012
Annual General Meeting	22 June 2012
Group Financial Report (Half-Year)	22 August 2012
Interim Announcement within the Second Half	07 November 2012

## Key Financials

### SIMONA GROUP\*

		2011	2010	2009
Revenue	€m	308.5	267.4	215.1
Year-on-year change	%	15.4	24.3	-29.2
of which abroad	€m	203.9	176.8	138.6
of which abroad	%	66.1	66.1	64.4
Staff costs	€m	58.6	55.9	55.3
Profit before taxes	€m	20.7	10.5	7.1
Profit for the year	€m	16.2	7.2	5.0
Net cash from operating activities	€m	23.4	3.1	28.2
EBIT	€m	19.8	10.1	7.3
EBIT	%	6.4	3.8	3.4
EBITDA	€m	31.7	22.7	21.9
EBITDA	%	10.3	8.5	10.2
Total assets	€m	257.1	245.0	244.7
Equity	€m	174.6	162.2	157.5
Non-current assets	€m	90.5	89.4	94.3
Investments in property, plant and equipment	€m	12.5	6.5	11.6
Employees (annual average)		1.248	1.218	1.230

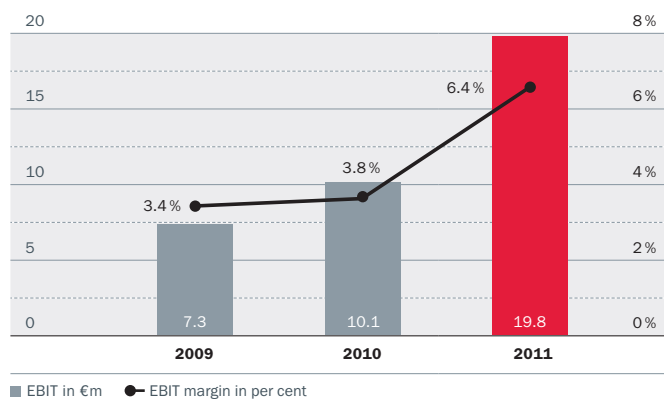
\* Based on IFRS

### STOCK DATA

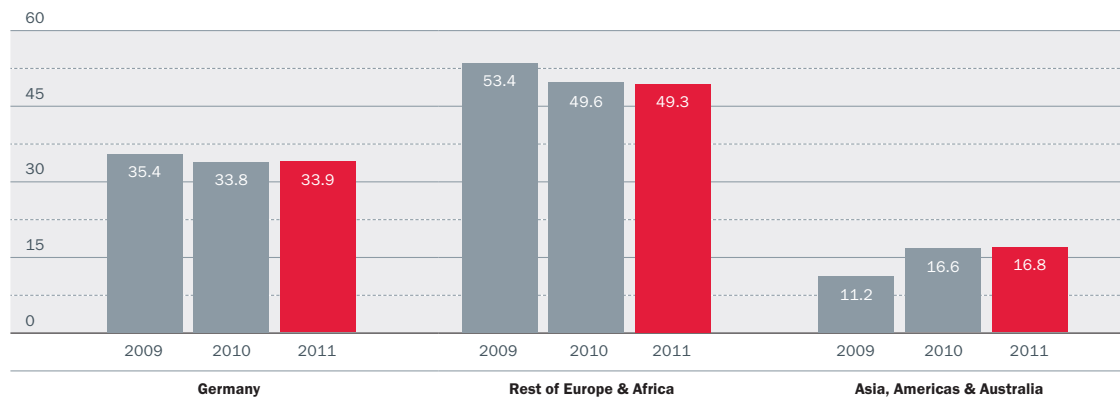
		2011	2010	2009
Earnings per share	€	26.96	12.00	8.31
Dividend	€	9.50	6.50	6.00
Dividend yield		2.9	2.1	1.9
P/E ratio*		12.2	26.3	38.1
Market capitalisation-over-equity ratio*		1.13	1.17	1.21
Share price as at Dec. 31	€	327.69	315.00	317.00

\* Each calculated on Group basis

#### EBIT PERFORMANCE SIMONA GROUP



#### REVENUE BY REGION SIMONA GROUP (in per cent)



**SIMONA AG**

Investor Relations

Teichweg 16

D-55606 Kirn

Phone +49 (0) 67 52 14-383

Fax +49 (0) 67 52 14-738

[ir@simona.de](mailto:ir@simona.de)

[www.simona.de](http://www.simona.de)