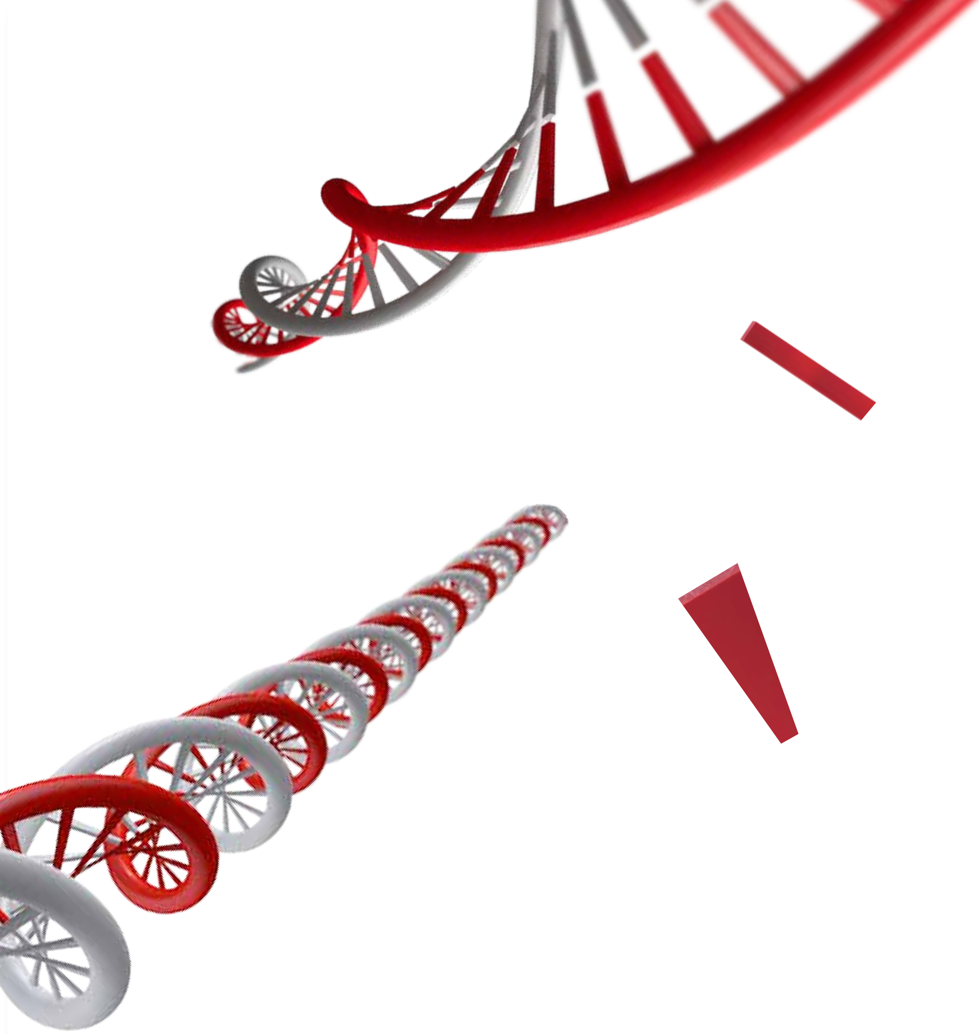
SIMONA

WHAT MAKES SIMONA VALUABLE?

Annual Report 2018



What does our brand embody around the globe? In which areas do our thermoplastic solutions deliver added value for our customers? What do we have to do to ensure that we can continue to deliver this added value? Why do people work at SIMONA? What does “A company like a friend” mean to them? Why do shareholders invest in SIMONA?

The answers to these questions are provided in this annual report – by customers, employees, shareholders and suppliers. Our mission was to explore what makes SIMONA valuable.

The result: interesting insights into our corporate DNA and compelling profiles of our key stakeholders.

SIMONA
Key Financials

SIMONA GROUP

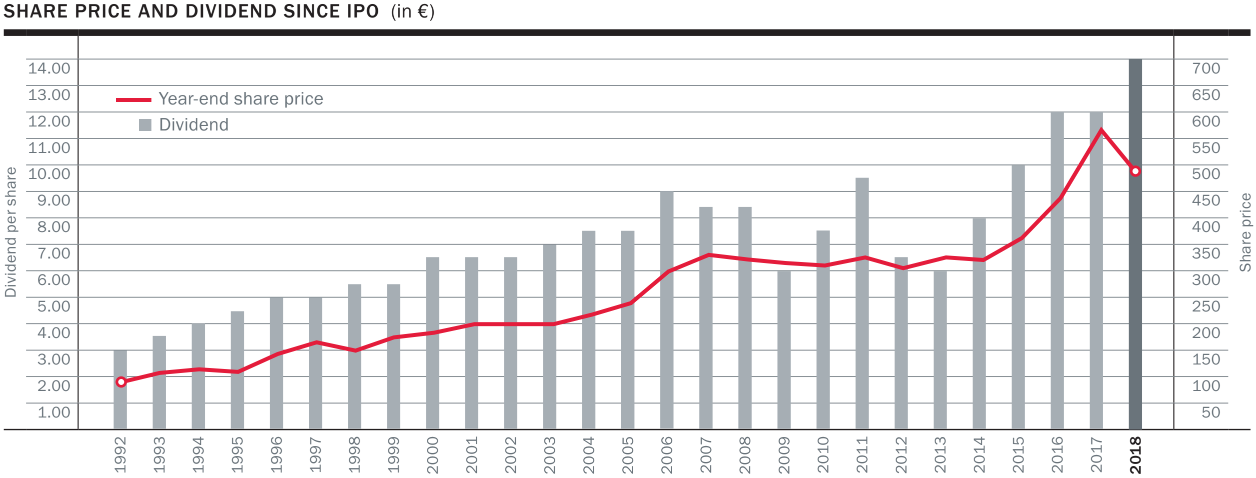
		2018	2017	2016
Revenue	€m	417.9	394.1	366.7
Year-on-year change	%	6.0	7.5	1.8
Staff costs	€m	78.8	74.8	72.4
Earnings before taxes (EBT)	€m	32.3	24.6	28.2
Profit for the period	€m	24.3	17.5	19.5
Net cash from operating activities	€m	34.8	19.2	42.2
EBIT	€m	33.2	31.1*	30.2
EBIT	%	8.0	7.9*	8.2
EBITDA	€m	48.4	45.5*	43.9
EBITDA	%	11.6	11.6*	12.0
Total assets	€m	400.9	363.4	363.0
Equity	€m	220.7	202.3	192.0
Property, plant and equipment	€m	129.1	114.4	116.7
Investments in property, plant and equipment	€m	16.9	15.3	15.5
Employees (annual average)		1,387	1,285	1,283

On IFRS basis

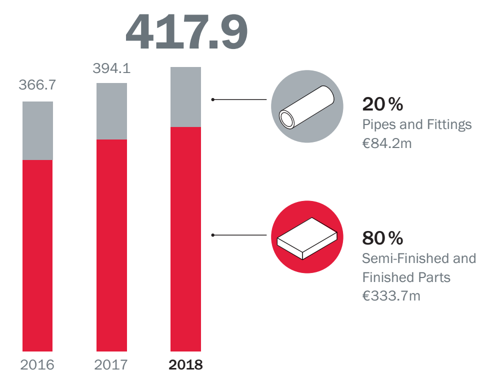
STOCK PERFORMANCE

		2018	2017	2016
Earnings per share	€	40.24	29.08	32.48
Dividend	€	14.00	12.00	12.00
Dividend yield	%	2.9	2.1	2.7
P/E ratio**		12.2	19.8	13.5
Based on year-end share price	€	490.00	574.45	441.00

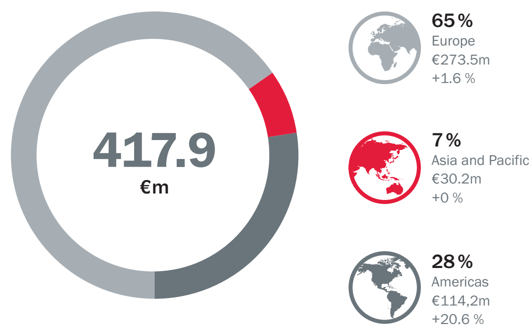
SHARE PRICE AND DIVIDEND SINCE IPO (in €)



REVENUE BY PRODUCT AREA (in €m)

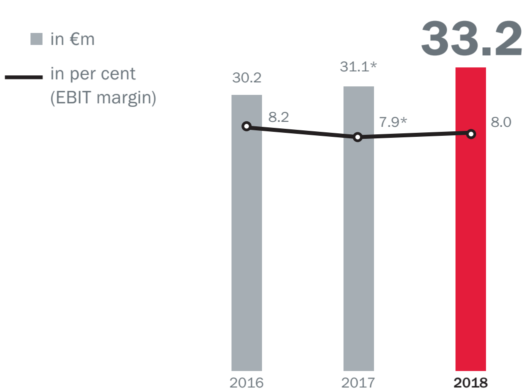


REVENUE BY REGION

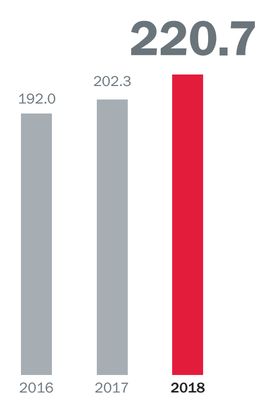


Allocated acc. to place of registered office of revenue-generating business unit

EBIT



EQUITY (in €m)



* As from the 2018 financial year, income and expenses from currency translation relating to financing activities are accounted for in net finance costs/income rather than in operating profit. For the purpose of improved comparability, the prior-year figures have been adjusted accordingly.

** Calculated on Group basis

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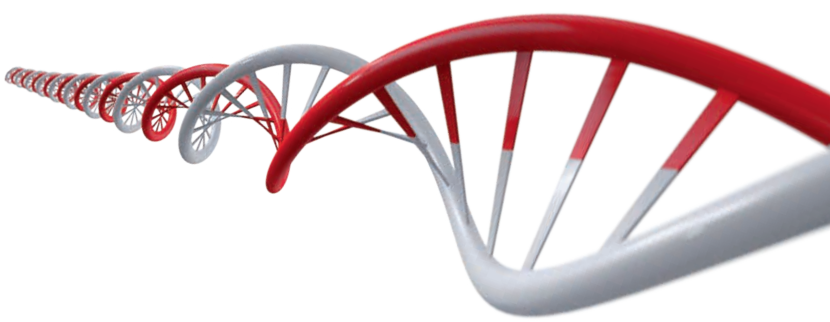


Dear Shareholders,

Overall, 2018 proved to be another successful year for SIMONA. Group revenue exceeded the €400 million mark for the very first time. We also managed to expand earnings before taxes (EBT) by more than 31 per cent to €32.3 million – the highest level ever recorded in our corporate history.

On an organic basis, we saw strong growth of +€10 million in the United States, while Europe edged up by a solid +€4 million. The acquisition of PMC, a US extrusion company, contributed approx. €9.0 million to revenue growth.

We are satisfied with our earnings performance. EBIT amounted to €33.2 million, which corresponds to an EBIT margin of 8.0 per cent. This puts us well within our guidance range of 7 to 9 per cent. We would like to submit to you, as our valued shareholders, a dividend proposal of €14.0 per share. This is the fourth time over a period of five years that we have increased our dividend, i.e. we continue to take a long-term approach when it comes to your participation in our company's success. This is also reflected in earnings per share, which rose from €29.08 in the previous year to €40.24 in the annual period under review.

Performance by region

As regards our regional performance, the Americas again acted as a key growth driver. This was attributable not just to the acquisition of PMC. Benefiting from continued buoyancy in the aviation industry, our subsidiary SIMONA boltaron succeeded in further extending its market position relating to plastic sheet products for aircraft interiors. At the same time, business in the field of classic industrial products developed well in the period under review. Against the backdrop of economic slowdown in China, business in Asia remained stable and matched the high level recorded in the previous financial year. In Europe, meanwhile, business developed along different lines. While the region encompassing Germany, Austria and Switzerland achieved solid growth, Western Europe, led primarily by France and Italy, performed poorly in the period under review. In Eastern Europe, by contrast, we saw a slight increase in revenue.

Performance by product group

Both product groups managed to generate growth over the course of the 2018 financial year. The product area encompassing Semi-Finished Products and Finished Parts recorded revenue growth of 6.3 per cent. In terms of sales performance, we recorded strong business relating to sheet products for aviation applications and saw stability within the core market centred around the chemical process industry, which contrasted with sluggish business in the area of construction and advertising applications. Building on a strong fourth quarter, we succeeded in meeting our growth targets in the Pipes and Fittings division and recorded revenue growth of 4.9 per cent. This was driven by a solid global performance in the industrial sector. Pipes and fittings used in infrastructure projects also contributed to growth in Germany and Eastern Europe.

Strategic achievements in 2018

Approved in 2017, measures aimed at repositioning our Pipes and Fittings division are now being implemented and are beginning to bear fruit. Investments are being directed at manufacturing and new products. We are also planning to create additional market-facing jobs. The aim is to achieve revenue in excess of €100 million in this area by 2022, while – at the very least – matching current profitability levels. As regards the product group encompassing Semi-Finished Products, the recent acquisition of PMC validates our decision to raise our profile further in the United States. PMC complements our core competencies in the field of extrusion and offers us access to new materials and markets. Additionally, the focus is on diversifying our product portfolio and strengthening our market position in the United States. As part of the acquisition of PMC, we also reorganised the legal structure of our operations in the United States. As from 2019, the newly established SIMONA AMERICA Group will bring together our three operational units.

New leadership structure

We have geared our leadership structure to the future. In Dr. Jochen Hauck, the company appointed an experienced plastics industry professional as COO effective from 1 January 2019. Dirk Möller, who held the position of COO for almost 25 years, will remain with the company until mid-2019 in order to ensure a smooth transition. Within the area of Finance & Administration this transition was made as early as mid-2018, with Michael Schmitz becoming the new CFO of the SIMONA Group. Appointed from within the company, he replaced recent retiree Fredy Hiltmann. I have decided not to extend my contract that is scheduled to end in October 2019. This was influenced solely by personal considerations. Having informed the company well in advance, SIMONA will now have ample time to select a suitable successor.

Goals and outlook 2019

We have defined three key strategic goals for 2019. In this context, our focus will be on assessing our strategy for Semi-Finished Products in Europe, raising our competitive profile in Asia and establishing a global business model for the growing semiconductor market.

We will again be looking to generate growth during the current financial year and are targeting Group revenue of €435 – 450 million together with an EBIT margin of 6 – 8 per cent. Faced with the prospect of a more sluggish global economy and mounting risks, this will require a tremendous effort on our part. We are well prepared and are determined to turn fiscal 2019 into a successful year for the Group.

Dear Shareholders,
What makes SIMONA valuable – what is our company's DNA? We approached our stakeholders in a quest to find answers to these questions and wanted to find out what they would like from SIMONA in the future. The result: interesting profiles with compelling insights into what our customers, shareholders, suppliers and employees think of SIMONA. Enjoy!

Regards,

WOLFGANG MOYSES
CEO, Chairman of the Management Board

On the subject of company DNA

Companies need a clearly recognisable identity to underpin their public image and guide the actions of their employees. It is this identity that enables them to adapt to changes in the market and develop new products and technologies. For all living things, this function is performed by our DNA. By exploring this comparison a little further, we can learn a great deal about the character of a company such as SIMONA.

PROFESSOR HANS MATHIAS KEPPLINGER
Communication scientist

Hans Mathias Kepplinger was Professor of Empirical Communication Research and (with a number of brief interludes) Director of the Institute for Journalism at Johannes Gutenberg University in Mainz from 1982 to 2011. He has been a visiting scholar at UC Berkeley, Harvard University and universities in Munich, Tunis, Lugano and Zurich. In 2011 he was chosen for the Media Tenor Theory Award and in 2012 for the Helen Dinerman Award conferred by the World Association of Public Opinion Research. In 2015 he was made a fellow of the International Communication Association.

Back in 2013, SIMONA embarked on a far-reaching transformation. As well as refining its business model, the company modified its sales strategy in Europe and began to open up new markets, partly through a series of acquisitions. What impact could this restructuring process have on the SIMONA brand?
Large-scale strategic realignment is never without risk. Looking outside the organisation at existing customers and new markets, there is a danger of structural breakdown – of creating so much diversity that the sense of unified control is lost. Within the organisation, the friction created by different business cultures and changes to established procedures can also be damaging. As SIMONA has demonstrated, both these risks can be avoided.

In marketing jargon you hear a lot about 'brand DNA'. What exactly does that mean? What is the function of brand DNA?
One of the ingredients of SIMONA's brand DNA is the link between manufacturing technology and product development. This evolved back in the mid-19th century during the transition from manual leatherworking to industrial processing using steam engines and chrome-tanning methods developed by the company itself. It also followed the decision taken by Dr. Wolfgang Bürkle and Hellmut Simon to begin making plastic sheets on a leather press. The next big transformation involved expanding production to include plastic rods and pipes and various application-specific solutions, e.g. in the automotive and aviation sectors. The company's product range today seems to have little in common with its background in leatherworking, yet it is merely the logical conclusion of a successful strategy of adapting manufacturing technology and products to changes in the market environment.

Can a company create its own brand DNA, or is it just something immutable that you have to work with? After all, we humans can't choose our DNA.
We need to know where we come from. German companies enjoy a strong global reputation. That has been achieved by combining solid craftsmanship and modern production methods to make customised products. That readiness to adapt to new markets has helped SIMONA remain geographically close to its customers.

SIMONA's current market position and portfolio are merely the logical conclusion of a successful strategy of adapting manufacturing technology and products to changes in the market environment.

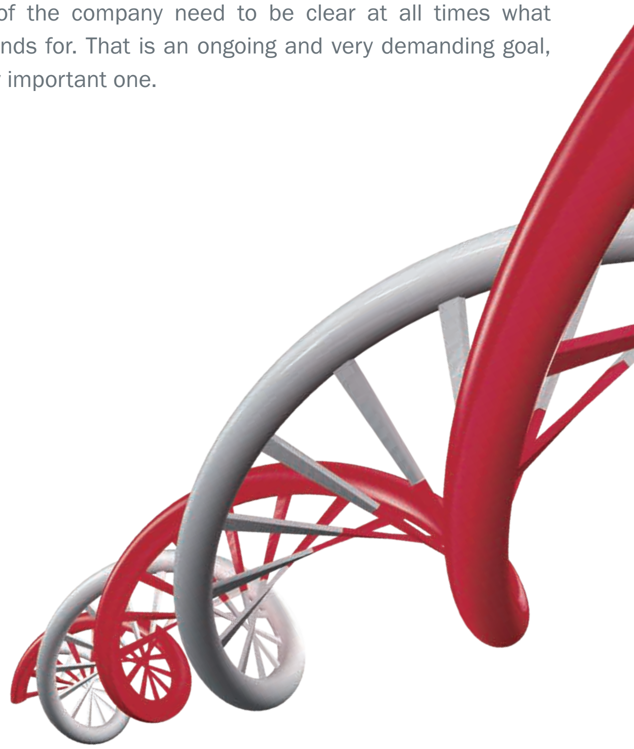
The company established a subsidiary in Nancy and a factory in Madras way back in the late 19th century. Of course, there were setbacks as a result of the two world wars, but in terms of company development SIMONA soon picked up where it had left off and set up a sales arm in France. This was followed just a few years later by subsidiaries in Switzerland, Italy, Spain and the UK. When the iron curtain finally came down, SIMONA embarked on a targeted programme of expansion in Eastern Europe. Next in line were the USA, where the company steadily built up its market position and now has several production sites, Asia, including a manufacturing facility in China, and more recently a subsidiary in India.

How can you identify your brand personality?
You have to survey your customers and employees on a systematic basis. On top of that, you need your top management to be out there observing the brand environment and exploring their findings in greater depth. These twin approaches complement each other very effectively, especially when companies arrange for those surveys to be conducted systematically by an outside firm so that you get an unbiased picture. To interpret the results, you need to contrast the way your brand is seen from the inside and from the outside. Do the perceptions of your own employees match those of your business partners, the general public in those areas where you are based and relevant online and offline media? Those findings are important, not just because they can influence decision-making but also as an early warning system that can draw attention to opportunities and risks.

Is it possible to work out how strong a brand's DNA is? How much does that DNA affect the revenue and earnings of a company such as SIMONA?
The strength of a company's DNA is reflected in its revenue and earnings growth. However, both these indicators depend on numerous factors – the general economic situation and the market environment in specific areas and individual countries – so you can't separate out and measure the DNA effect as such. Having said that, you can get a rough idea of its importance by comparing your performance with that of your direct competitors.

That includes examining their strengths and weaknesses. Even in the B2B field, it's clear from empirical research that decisions are influenced not only by rational factors but also by customer ties based on emotional considerations. This matters above all when people have to deal with complex situations under time pressure, and it's here that your brand DNA can make a big difference.

When it comes to business growth, successful brands pass on crucial values to the next generation. What can SIMONA do to ensure that its brand DNA is transmitted to the next generation and to its subsidiaries?
In this context, it's important to recruit and develop new employees and integrate them systematically into the company's activities. They need to internalise the company's DNA out of personal conviction before you can expect them to apply it as a matter of routine. To that end, you have to look after your brand DNA and keep it fresh by means of regular presentations in-house and to outside audiences. All over the world, SIMONA organises numerous activities for its employees and encourages them to take part in social events such as company running challenges. Employees in every part of the company need to be clear at all times what SIMONA stands for. That is an ongoing and very demanding goal, but a hugely important one.



What do you value about SIMONA?

The quality, reliability and ability of SIMONA to deliver are what set it apart from other manufacturers. In the industrial sector, SIMONA is one of our three key partners.

DIPLOM-KAUFMANN MICHAEL DÖRICHT
Managing Director
KHG Kunststoff-Handels-Gesellschaft mbH, Karben, Germany

How would you describe SIMONA in a nutshell?
As a long-term, reliable partner.

How do you know SIMONA?
Ever since we set up the company in 1982, SIMONA and KHG have worked for over 37 years in a close partnership that has steadily grown and continues to do so.

What does the SIMONA brand stand for?
SIMONA stands for quality. We have a high-quality partner in SIMONA and a company able to cover the entire product spectrum, from fittings and pipes to semi-finished products. And we can rely on SIMONA. You see, the lowest price is not everything – with SIMONA, the entire cooperation works fine from order processing and after-sales service to the excellent logistics system.

What added value do our products and services give you?
We are a big user of SIMONA services – the delivery service is excellent – a SIMONA truck pulls up at our premises almost every day. Your ability and willingness to deliver and the degree of market penetration are key strengths for us.

What challenges do our products solve for your company?
SIMONA covers the entire spectrum of our needs – in civil engineering, supply and industry terms. This opens up greater opportunities for us in the commercial property sector. Sometimes our paths cross when it comes to the bigger projects, but we have always managed to find a solution in the spirit of partnership.

What do you hope for from SIMONA in the future?
SIMONA has continued to develop over the past few years as a company with different product lines but a "one-face-to-the-customer" approach. The company should stick to this policy. Digitalisation has led to ever-increasing demands for automated provisioning, sharing of product data and traceability of components. There is also a need for platform solutions when it comes to provision of digital tools.

ABOUT KHG

Kunststoff-Handels-Gesellschaft mbH (KHG) has been a wholesale trading company of plastics and civil engineering products since 1982. With its comprehensive range of products, KHG meets the needs of construction firms and supply companies and also works closely with the chemical industry and plant engineering and equipment sector. For over 37 years, SIMONA and KHG have worked in close partnership with each other and that bond continues to grow.

ABOUT UMUNDUM

Umundum Kft., founded in 2004, is a Hungarian company trading in semi-finished plastics and accessories. Its product range encompasses plastic sheets, rods, pipes and fittings as well as the welding devices used to adapt such products. Umundum works only with suppliers who consistently supply high-quality products and offer high-quality technical support – and in the semi-finished plastics segment, SIMONA is that supplier.

What do you value about SIMONA?

To me, the SIMONA brand stands all over the world for high-quality products. SIMONA offers a high level of technical competence based on many years of experience, making it a very reliable brand.

DR. JÁNOS BENDL
Owner of Umundum Kft., Budaörs, Hungary

How would you describe SIMONA in a nutshell?
Reliable.

What added value do our products and services give you?
We benefit from the great reputation of SIMONA worldwide. I would also like to single out the great technical support SIMONA provides in conjunction with its products. Thanks to the reliability of SIMONA, we and our customers enjoy a real sense of security.

Why do you buy from SIMONA?
SIMONA and Umundum have a historic relationship that has grown over time. We think the same way. Over many years of collaboration, we have managed to solve many challenges by working together. Whenever we made a mistake, SIMONA helped us – and vice versa, as in any good partnership. Other products of comparable quality can certainly be found within the market, but what happens when something goes wrong? That's when you need a partner who can respond quickly and offer a reliable solution. That's what SIMONA does, and we value that.

What challenges do our products solve for your company?
The product mix SIMONA offers, combined with excellent technical support, gives us a solid basis as a trading partner to market SIMONA products successfully.

What do you hope for from SIMONA in the future?
I want SIMONA to remain innovative. We have worked together successfully now for more than 15 years and we value the comprehensive product portfolio of SIMONA. I see further potential in the development of new products. Customers are always asking about the specific properties of new plastics. They are more interested in what the product can do than the material or the processing method. In expanding its material portfolio, SIMONA is heading in the right direction and should extend this further. In future, SIMONA needs to focus more on product benefits.

The digital transformation is coming, whether plastics traders like it or not. We have to have a good answer to digital business models. As one of our key suppliers, SIMONA needs to make life simple for us here. Above all, this means simple order processing via digital services, such as the ability to check warehouse stocks and place orders directly.

ABOUT STRABAG

The success story of STRABAG AG, Cologne, began in 1923. Today the company is one of a Group of companies under the Austrian STRABAG SE umbrella and functions in Germany as the parent company of the German STRABAG Group. As the German market leader in road construction, the company earns 2.5 billion euros annually in this business field. Every day around 12,000 employees go about their work of delivering first-class road construction services, which extend far beyond classic road building projects. STRABAG AG has opted for digitalisation of its work processes in order to map the entire value chain of the plant, infrastructure and construction work performed by its business units.

What do you value about SIMONA?

The SIMONA brand is synonymous with an innovative manufacturer of industrial piping systems collaborating on an eye-level basis with key partners.

THOMAS ARENS
Technical Team Leader, Industrial Piping Systems and Pipeline Construction, STRABAG AG, Northern Directorate, Nordhorn Area, Germany

How would you describe SIMONA in a nutshell?
As a system supplier.

What added value do our products and services give you?
Thanks to great technical support and professional presentation of project details, the required tasks are addressed with customers before and during execution of any project with a focus on finding solutions. Your project-specific know-how creates trust and this is confirmed by on-time delivery and good quality products.

Why do you buy from SIMONA?
As a system supplier, SIMONA offers us the option of adapting execution plans at the customer's request and at short notice, even during the process of construction. Reliable delivery times with technical support during the construction phase demonstrate competence and form a good basis for successful completion of our construction projects. The good value-for-money aspect also enables us to offer a fair market price for any contracts.

What challenges do our products solve for your company?
The various materials available for selection allow the products to be used by both industrial customers and utility companies. SIMONA offers cost-optimised alternatives for certain media that need to be transported under different conditions.

What distinguishes us from other suppliers?
SIMONA demonstrates a high degree of manufacturing flexibility and consistently good product quality, even when complex components of different dimensions are required. We notice a high degree of identification with SIMONA as a company displayed by the employees who look after our needs. Thanks to their open communication and problem-solving mindset, construction measures can be successfully completed for both parties.

What do you hope for from SIMONA in the future?
It remains important to establish polyethylene (PE) as a piping material suitable for industrial tenders, by providing good project support in the planning phase and offering the expertise of SIMONA at any early stage. With that support, the planning quality will improve over the long term, allowing a technically sound tender to be submitted, which can be swiftly executed by construction companies when the green light is given. In my opinion, it is important for SIMONA to take a holistic approach to addressing complex target projects at an early stage in the process.

What do you value about SIMONA?

Above all the "personal touch" or the relationships we have built with people at SIMONA. This includes all levels, from executive management and customer service to technicians. Amongst other things, we value the direct contact with SIMONA product management staff, which is an uncomplicated way to make progress on new ideas. Our partnership thrives on that two-way exchange.

KAREN POSTHUMUS
CEO, Profilplast Group, Sittard, Netherlands

How would you describe SIMONA in a nutshell?

For me personally, it is Dirk Möller as COO who incorporates the values of commitment and passion. I would describe SIMONA as a genuine, worldwide partner of the Profilplast company.

What added value do our products and services give you?

With its product areas of pipes, fittings and semi-finished parts, SIMONA covers a very broad product spectrum. We are a partner sourcing goods from almost all product groups. That is important for us in procurement. The consistently good quality and effective cooperation in day-to-day business ensures both sides have the freedom to be innovative and develop new products together. The specialists at our Technical Service Centre and the business developers and technicians at SIMONA work well together and that allows us to tap into new markets for plastics applications.

Why do you buy from SIMONA?

In our standard business, we can always rely on SIMONA. That creates a stable basis and time to develop new things together.

What challenges do our products solve for your company?

The breadth and depth of the product portfolio are very important to us. We carry more than 90,000 items and need premium partners like SIMONA in order to be able to offer our customers such a variety of high-quality products.

What do you hope for from SIMONA in the future?

I hope that SIMONA continues to attract young people to a career in plastics processing. There is so much potential for this material. For instance, over 90 per cent of industrial piping systems are not yet made out of plastic, even though it clearly offers many benefits.

It is also important for SIMONA to expand the business development drive that has already started in new markets and new application areas. We need this collaboration with specialists who know their way around the relevant markets and have ideas for replacing conventional materials with plastics. Ideally, they should have a combination of technical competence, a sales mentality and good communication skills.

Ongoing expansion of logistics services is also an important aspect for us. In a global world with many uncertainties surrounding delivery processes, we need an extremely flexible partner. And it is also my hope that, with all its global growth and the size SIMONA has now achieved, its family business character will be preserved. SIMONA must continue to be served by dedicated SIMONIANS who have a burning desire to work for the company.

ABOUT THE PROFILPLAST GROUP

Profilplast is a leading supplier of semi-finished plastics and industrial piping components to the Benelux region and Germany. Its product portfolio encompasses over 90,000 items – enabling Profilplast to offer everything customers need for the production of plant, equipment and installation technology from a single source. A comprehensive logistics system ensures fast delivery of all products in the Netherlands, Belgium and Germany. Profilplast constantly monitors the market for plastics-based innovations and plays an important role in addressing the complex requirements of its customers for new products and applications.

ABOUT PROGALVANO

Founded in 1967, today Progalvano S.r.l. is a global producer of electroplating barrels, exporting its products to over 50 countries around the world. Progalvano's dynamic growth, innovative strength and use of the highest quality materials have made the company a leading partner to the electroplating industry.

The family company is now led by Luka Premru (Export Manager), Francesca Cuzzolin (Sales & Marketing Manager), Ferdinando Cuzzolin (President and Shareholder) and Matteo Cuzzolin (Technical Manager).

What do you value about SIMONA?

To us, SIMONA is a 360-degree partner able to offer a complete package due to its broad product portfolio, great after-sales service, technical support and competent local contacts. We have never found such an end-to-end service anywhere else in the market.

MATTEO CUZZOLIN
Chief Technical Officer of PROGALVANO S.r.l., Milan, Italy

How would you describe SIMONA in a nutshell?
Quality, service and reliability.

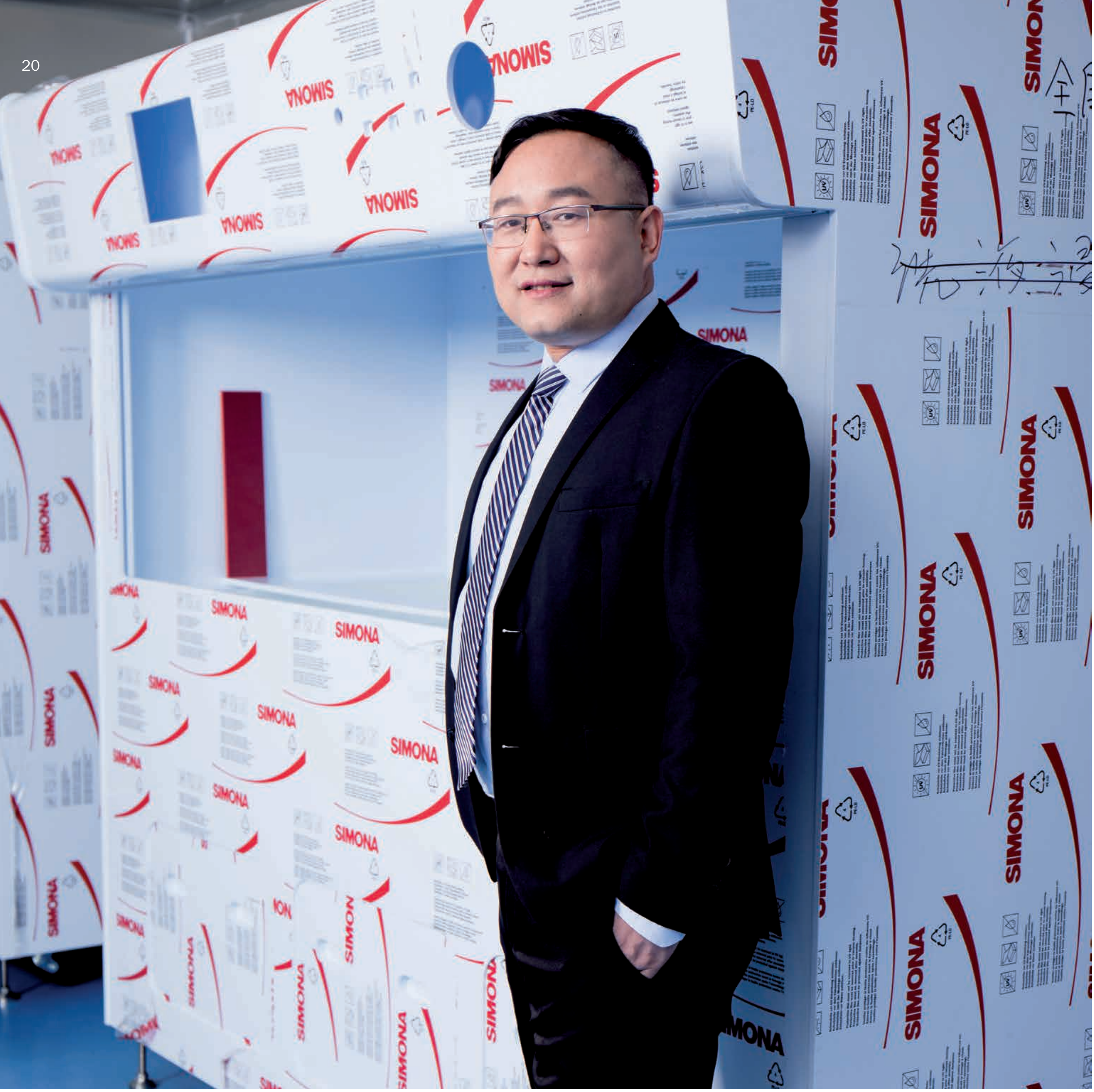
What does the SIMONA brand stand for?
I travel abroad a lot and I encounter SIMONA everywhere in the world as a brand with widespread acceptance. I will give you an example of how we benefit from this brand. The labels with the SIMONA logo, which appear on the sheets delivered to us, remain on the end product after we have finished processing them. The barrels for electroplating processes, which we produce and distribute worldwide, are thus designed to demonstrate the high quality we stand by at every step of the process.

What added value do our products and services give you?
The polypropylene sheets we source from SIMONA consistently demonstrate the same properties. They always meet the high demands we place on their performance when they come into contact with various chemicals. We buy a product that we can 100 per cent rely on in our manufacturing processes at all times. SIMONA delivers the same high quality with every shipment. This means we can use the same programme parameters in our manufacturing processes, no matter what the external conditions. It also allows us to promise our customers the narrowest possible tolerances.

What do you buy from SIMONA?
We are convinced that a good primary product is half the battle when it comes to manufacturing. Added to that is the high standard of technical support offered by SIMONA. Naturally problems do arise from time to time, but they are solved quickly and competently. We never hear someone from SIMONA say: “that can’t be done” but rather: “we’ll find a solution”. SIMONA is a partner, not a supplier. For instance, the PP sheets are always precisely cut to suit our processes. For all its size, to us SIMONA has remained a family business at heart.

What challenges do our products solve for your company?
Wherever possible, we have standardised our production based on 50 years of experience in order to meet the application standards of our customers as best as possible. Nevertheless we constantly strive to push the boundaries of the potential uses of our products. Up until a few years ago, many of the barrels were made out of steel. Together with SIMONA we have succeeded in convincing more and more companies to switch to plastic as an alternative material. That has a lot to do with the fact that the promised properties listed in the product data sheets for SIMONA products are not minimum thresholds but constantly observed levels. In addition, plastic is more economical and offers better corrosion protection than steel. These days we not only offer SIMONA PP but also high-performance plastics like PVDF.

What do you hope for from SIMONA in the future?
We hope that SIMONA does not stop expanding and improving the properties of its products. What that means for us specifically is that the thermal stability continues to improve and an even higher mechanical load is permissible. This will allow us to expand the application areas of SIMONA sheets even further. The availability of the products is also very important to us. SIMONA closed its warehouse in Italy a few years ago. We were sceptical, but it has led to no disadvantages for us. Nevertheless, we value the local contact with the customer service staff of SIMONA ITALIA very highly. Direct contact with no bureaucratic hurdles and fast response times are crucial for us.



ABOUT SHANGHAI JINGNING ENVIRONMENTAL TECHNOLOGY

Dave Y.L. Cai began his career in the plastics industry with SIMONA ASIA in Shanghai. In 2014, he founded Shanghai JingNing Environmental Technology Co., Ltd (SJET) as an entrepreneur. Initially working in the wholesale plastics trade, the company has since expanded to include plastic processing as a second business area. Thanks to its high level of technical competence, professionalism and forward-thinking mentality, SJET is on the way to becoming a leading company in the high-end market for plastics applications. For SIMONA ASIA, SJET is one of its biggest customers for semi-finished products in China, with an impressive growth story.

What do you value about SIMONA?

The broad product range SIMONA is able to supply from a single source combined with consistently high quality and very good after-sales service. SIMONA is a global company with a strong international presence and local support.

DAVE Y.L. CAI
CEO, Shanghai JingNing Environmental Technology Co., Ltd., Shanghai, China

How would you describe SIMONA in a nutshell?
First class.

What does the SIMONA brand stand for?
SIMONA stands for the highest quality of environmental technology in our Chinese market.

What added value do our products and services give you?
SIMONA products make our customers more competitive. That creates demand and adds value to their brand.

Why do you buy from SIMONA?
SIMONA offers us consistently high quality products, which is crucial in our business. The significance and fine reputation of SIMONA have a positive effect on the market and prompt our customers to ask for SIMONA products by name.

What challenges do our products solve for your company?
Our partnership with SIMONA allows us to increasingly raise the quality level of our own products. This enables us to tap into the high-end market for environmental technology applications.

What do you hope for from SIMONA in the future?
We hope that SIMONA will remain strongly represented in the regions, despite its global growth. SIMONA should continue to expand its material and product portfolio so that partners like us can tap into more high-end markets in China, such as safety-related and environmentally critical applications.

What do you value about SIMONA?

The people at SIMONA and the quality of the products. Our customers specifically ask for SIMONA products. This provides both of us with an opportunity to set ourselves apart from the competition.

KEVIN SHORT
President and CEO, Polymershapes LLC, Charlotte, USA

How would you describe SIMONA in a nutshell?
Future-oriented.

What does the SIMONA brand stand for?
SIMONA stands for quality, innovation and reliability.

What added value do our products and services give you?
I believe it is our job as distributors to create added value and offer great service. SIMONA helps us to do this with first-class products and outstanding customer service. Moving forward, the plastics industry has to be in a position to execute our customer projects in an innovative way with a focus on outstanding quality.

Why do you buy from SIMONA?
Because of our close business relationship with Adam Mellen, Chief Sales Officer of the SIMONA AMERICA Group (laughs). It's wonderful that in today's world it's still possible to do business with people you can trust and with companies that make the buying process as easy as possible.

What challenges do our products solve for your company?
Having a partner like SIMONA means we can implement our purchasing strategy, which is based on the principle "one is too few and three is too many". Exclusivity doesn't work for an international distributor. Our business model requires us to have high availability and a wide range of products. With their broad product range, companies like SIMONA enable us to build close relationships with a handful of globally active partners all over the world and in this way make purchasing more efficient. Our broad positioning also means we can distribute the full SIMONA product range.

What do you hope for from SIMONA in the future?
We would like to continue working with a globally active partner to create an excellent, sustainable experience for our customers in North America. SIMONA and its staff need to ensure that these positive experiences continue in all economic conditions, today and in the future.

ABOUT POLYMERSHAPES

Kevin Short has worked for over 25 years in the industrial trading business, 16 of which have been in the plastics sector. He has been the President and CEO of Polymershapes LLC, USA since 2016. Polymershapes is a leading trading house for sheets, rods, pipes, foils and related plastics products with a history dating back more than 70 years. With its extensive distribution and logistics network, Polymershapes ensures a highly reliable delivery service and good customer rapport. Polymershapes also offers its customers numerous processing options, such as a cutting service and customising or processing via CNC milling machines.

ABOUT SOLVENTIS

The Solventis Group is an investment boutique, specialising in small and mid-caps and special situations. It publishes analytical reports and also takes a direct interest in some companies. Its customers are institutional investors who expect innovative and highly profitable ideas. CEO Joachim Schmitt has known SIMONA AG since its IPO in 1989.

What do you value about SIMONA?

Its down-to-earth attitude, love of innovation and international reach are the three most important attributes I associate with SIMONA.

JOACHIM SCHMITT
CEO of SOLVENTIS AG, Mainz, Germany

Why did you decide to buy SIMONA shares?
I have known SIMONA for a very long time. At its first Annual General Meeting in 1989 in Bad Kreuznach, I was greeted by the then CEO Dr. Bürkle with a handshake. At that time I was driven more or less by a sense of local patriotism to buy 100 shares at the purchase price of 140 DM. I was later able to attract institutional investors to buy shares in SIMONA AG too.

How would you describe SIMONA in a nutshell?
As a hidden champion or – perhaps a more fitting term – as a local gem.

What do you value about the SIMONA business model?
SIMONA is part of the chemical growth sector and a successful niche supplier within that branch of industry that is able to respond very flexibly to changing market demands.

What do you hope for from SIMONA in the future?
Its international reach must naturally be extended. I would especially like to see a strengthening of its innovative spirit and a greater degree of processing depth. This would enable the company to achieve greater recognition on the capital market. In 2019, with the changes in board personnel, SIMONA also faces some management challenges. They will need to be overcome, and I wish the Supervisory Board and all those involved in that process every success.

How satisfied are you with the commercial development of SIMONA? Where, in your opinion, has progress been made and in what areas or regions should SIMONA develop further?
It is important for SIMONA to keep finding new niches in the future too and develop new products. But it is also important to keep pursuing successful corporate takeovers like Boltaron. What I value about SIMONA is the fact that management plans are always followed by action that delivers tangible results. SIMONA should stick to this policy and not become bogged down by corporate visions, as other companies do.

Would you recommend investors purchase SIMONA shares?
Yes, we actually do that on a professional basis. But, due to the very low free float of about 10 per cent, it tends to be difficult. What is appealing about the SIMONA stock is the reliable growth story and high dividend, which generates much higher returns than any fixed-interest investment.

What do you value about SIMONA?

SIMONA's track record demonstrates its continuous commitment to excellence and quality to offer innovative plastic solutions to the industry. As a more than 40 years old partner, ARKEMA wishes both companies a continued successful journey together to embrace the challenges of the future and to keep shaping the world of the chemical process industry.

DAVID SILAGY
Kynar® Europe General Manager, ARKEMA, Technical Polymers BU, Colombes Cedex, France

ARKEMA is a global manufacturer of specialty chemicals and advanced materials. Operating with three business segments – High-Performance Materials, Industrial Specialities and Coating Solutions – and globally recognised brands, the Group generates annual sales of €8.8 billion. Buoyed by the collective energy of its 20,000 employees, Arkema serves markets in close to 55 countries around the globe. The business partnership between ARKEMA and SIMONA spans more than 40 years. ARKEMA is SIMONA's "Preferred Partner" for the high-performance material PVDF.

How would you describe SIMONA in a nutshell?
Excellence.

What does the SIMONA brand stand for?
The SIMONA brand stands for unsurpassed quality semi-finished products, thanks to the use of the best high performance materials, leaning on decades of know-how and expertise. SIMONA branded products represent a kind of "guarantee" for success in all the projects in which they are used.

What distinguishes us as a customer?
SIMONA distinguishes itself as a customer by its continuous consistent and solid strategic market approach that leads to an impressive track record in the chemical process industry. Also, on a more personal aspect, the very long history built on mutual trust between our two companies has led to great intimacy between ARKEMA and SIMONA's teams, most especially in Europe and in the USA.

How would you describe the cooperation?
Our more than 40 years of cooperation together has created a solid common culture for the chemical process industry. It is a deep partnership at all levels and in all fields, from technical to marketing. It allows us to go faster in the market to provide new solutions to customers, and to embrace together any new challenge with a common view and shared agility.

What do you hope for from SIMONA in the future?
We want SIMONA to keep enjoying continued solid growth in the future, of course with Kynar® PVDF as a leading product for new innovative solutions and evolving applications in the chemical process industry market. We also wish SIMONA continued global growth, especially in Asia, as they reinforce their worldwide presence. And last but not least, to continue to reinforce our historical partnership while we develop our common ideas worldwide.

What do you value about SIMONA?

SIMONA always manages to come up with innovative solutions for customer applications.

HUBERT ARMBRUSTER
CEO of the Kuhne Group, Sankt Augustin, Germany

The Kuhne Group is one of the leading European manufacturers of machinery used in foil and sheet production. With its companies Kuhne GmbH, Kuhne Anlagenbau and K-Tool, the Kuhne Group is well situated as a manufacturer of modern extrusion plant and equipment. In Sankt Augustin (Germany), about 240 employees develop, produce and distribute high-spec plant and equipment which is sold all over the world. For over 40 years now, Kuhne has supplied machinery and processing plant to SIMONA.

How would you describe SIMONA in a nutshell?
As an innovator.

What do you hope for from SIMONA in the future?
From our perspective, SIMONA is the market leader and a global player in many product areas. We hope that SIMONA can continue to expand its position in these areas and achieve its corporate goals.

What does the SIMONA brand stand for?
To us, the SIMONA brand stands for innovative, high-quality and technologically sophisticated products in the tank construction sector and the chemical processing industry.

What distinguishes us as a customer?
The business relationship between SIMONA and Kuhne has endured since the mid-1970s. Over that long period, many process and machinery configurations have been developed in close consultation with SIMONA. For that reason too, SIMONA is one of Kuhne's most important customers for sheet extrusion plant. To us, the business relationship we have with SIMONA is far more than a classic customer-supplier relationship.

What do you value about SIMONA?

I feel at home at SIMONA and I am given opportunities to advance new projects over and over again. I find it fascinating how much the technology used in new moulds and machinery keeps developing. In my everyday work at SIMONA, I am faced with new challenges on a daily basis, which makes the job so varied.

PHILIP HILß
Deputy Head of Injection Moulding, SIMONA AG, Ringsheim

How would you describe SIMONA in a nutshell?
Fair.

What does the SIMONA brand stand for?
In my opinion, the SIMONA product portfolio and the brand stand for quality and reliability across the entire process.

What makes SIMONA “a company like a friend”?
The way employees treat each other is very much like the way a family operates. Everyone is treated fairly – within each department and also between the different locations.

What made you choose SIMONA as your employer?
SIMONA offers me a secure job with interesting tasks. I have lots of friends and acquaintances at SIMONA and plastic is a dynamic product with a good future.

What do you hope for from SIMONA in the future?
I hope that SIMONA will continue to develop and secure its position as one of the leading manufacturers of semi-finished plastics. I also hope that my colleagues will continue to enjoy working at SIMONA. For the Ringsheim site, I hope that it can make an even stronger contribution to the company’s revenue in the future.

Compared to competitors in the German plastics market – what could SIMONA do better?
Be bold and open to new investments and new ideas, even if it means being the first in the market to make a move.

What motivates you?
Every project has potential for further improvement and further progress to be made. That is what keeps motivating me every day.

Was there one moment in your working life when you knew you had chosen exactly the right career?
At the start of my career, I often wondered whether I had made the right career choice. When, in 2018, I was appointed successor to Mr. Bohn, who was then Head of Injection Moulding,
I realised how much I enjoy my work and how much the constant professional development opportunities, like Masters training, really do pay off.

PERSONAL PROFILE

Philip Hilß, 34, began his Process Mechanic training at SIMONA in Ringsheim in 2001 in the Fittings department and completed it in three years. He then attended Meisterschule and, after graduating with his advanced qualification, worked as Deputy Shift Manager and in Production Planning. Since September 2018, he has been Deputy Head of Injection Moulding. He likes cycling, jogging and cooking. He also enjoys spending time with his wife and two children.

What do you value about SIMONA?

We truly are committed to building customer relationships with first class service.

GARY BORGIA
Segment Manager, SIMONA AMERICA Industries LLC, Archbald, USA

Gary Borgia has been working at SIMONA for 35 years and a little longer than that in plastics. He was born and raised in Northeastern Pennsylvania and he is a proud father of three grown children. Outside of work, you'll find him at the gym, golfing, at spin class, playing hand ball or spending time with his family and friends.

How would you describe SIMONA in a nutshell?
Committed.

Why did you choose SIMONA as your employer and what has kept you working in this industry for all these years?
I was grandfathered in through the acquisition of Laminations but I have stayed because I love the challenge of creating new markets for my customers using our materials.

What makes working for SIMONA interesting and fulfilling?
I love the people in this industry and forging relationships with new folks just getting into this business. As part of the SIMONA global brand, we have a huge opportunity to grow in this changing world.

What would you like SIMONA to have in the future?
I would love to see us enhance our product offering and bring something new to the market to blow our competitors away.

Compared to competitors in the US plastics market – what could SIMONA do better?
Communication will play an ever-increasing role in our networked wold, internally and externally. Small problems in communication can often lead to big misunderstandings. That can be avoided through optimal communication in all areas and in our dealings with customers.

Define the moment in your career when you realized you were good at sales.
At the very beginning of my career, I was working as an estimator at a company called Santana. One day I was talking to their general manager and he said to me, “You know what, you talk well, you ever think of doing sales,” and the rest is history.

What motivates you?
I am motivated in my career because I have seen so much growth in plastics over the years and continue to find it exciting to discover all the new possibilities and make them a reality for our customers. I also wouldn't be where I am today without a solid network of professionals that I have grown up with and developed professionally with the past 35 years of my career.

What do you value about SIMONA?

At SIMONA there is no problem not worth solving. There is an equal focus on all employees and they all support each other in every respect – just like any family.

ANGEL NIKOLOV
Production Manager of SIMONA Plast-Technik s.r.o. in Litvínov, Czech Republic

Angel Nikolov, 43, has been our Production Manager in Litvínov, Czech Republic, for 2 years. Prior to his time at SIMONA he worked for an automotive supplier in the quality management department. While working on one project, he made the acquaintance of Jan Rothe, the CEO of SIMONA Plast-Technik in the Czech Republic. However, Angel Nikolov spent the majority of his working life – more than 20 years – as a professional ice hockey player in the top Czech and European leagues. Now he passes on his knowledge to the next generation by coaching children in his spare time.

How would you describe SIMONA in a nutshell?
Opportunities.

What makes working for SIMONA interesting and fulfilling?
No two days are the same. Every day brings new challenges. In my position as Production Manager, I am driven to rethink things every day and adapt our processes accordingly.

What does the SIMONA brand stand for?
History and experience, but also quality and certainty – that is what makes SIMONA so strong in the international marketplace.

What made you choose SIMONA as your employer?
Once I met Jan Rothe and got to know SIMONA better, it became clear to me that it is a very solid company with an impressive history. I was given the opportunity to do something new and interesting at SIMONA.

What do you hope for from SIMONA in the future?
Naturally I hope SIMONA Plast-Technik will grow and continue to be an important part of the SIMONA Group. In addition, I like cross-locational questions and projects where we have to work together as a company to find the right solutions.

Compared to competitors in the Czech plastics market, what could SIMONA do better?
Despite the fact that SIMONA is one of the biggest companies in the Czech market, we will have to keep improving the effectiveness and quality of our products in order to remain competitive.

What motivates you?
I don't like losing.

What do you value about SIMONA?

Customers and quality are the top priorities. To me, that's what the SIMONA brand stands for.

JACKY JIANG
Sales Manager, SIMONA ENGINEERING PLASTICS TRADING (SHANGHAI) Co. LTD., Shanghai

Jacky Jiang, 36, as Senior Sales Manager in the SIMONA office in Shanghai, is responsible for looking after our customers in China. He has been a member of the SIMONA family since 2015 and took part in an audit of young potential for the SIMONA Talent Promotion Cirlce, before being accepted as one of its members, along with eleven other high potentials from five different countries. The two-year programme prepares future leaders of the company to take on management and leadership roles.

How would you describe SIMONA in a nutshell?
As a best friend.

What makes working for SIMONA interesting and fulfilling?
Making life easier for people by developing innovative plastics solutions is a very interesting job. Our products create long-lasting solutions in many areas of daily life, such as city water supply. With their lightweight properties, new plastics can reduce the emissions generated by such things as cars and planes.

What makes SIMONA "a company like a friend"?
Trust and respect are the hallmarks of SIMONA employees all over the world. We live these values and that makes it easier for us to work together. I know that I can rely on my colleagues and on management too.

What made you choose SIMONA as your employer?
SIMONA is a leading company in the plastics processing industry. I can identify fully with its corporate culture and values. I soon realised that SIMONA offers me many opportunities to learn and progress professionally, for instance as a member of the internationally configured Future Leaders group. This scheme offers me opportunities for personal and professional development. In addition, I am part of a personal network with colleagues from all over the world.

What do you hope for from SIMONA in the future?
We began our journey into Asia a few years ago and still have many opportunities for future growth there. To do this, we need to expand our research and development and position ourselves with premium products in markets like the semiconductor sector, chemical processing industry and environmental technology sector.

What motivates you?
That's quite simple: working with my team to achieve more sales.

What do you value about SIMONA?

Without a doubt, the partnership mentality, which is definitely one of the key components of the SIMONA DNA.

JANA BOEDDICKER
Marketing Consultant Semi-Finished and Finished Parts, SIMONA AG, Kirn

After completing her dual studies, 23-year-old Jana Boeddicker was part of the Marketing team of SIMONA AMERICA Industries for a year. Since her return to Germany, she has focused on product marketing of semi-finished and finished parts and also supports our internal communication initiatives as editor-in-chief of our global staff magazine, SIMONAinside. She is the youngest member of the SIMONA Talent Promotion Circle and, with the support of SIMONA, is completing a Master's at HHL Leipzig Graduate School of Management in addition to performing her role. In her spare time, Jana likes keeping fit, so is often seen doing laps at the swimming pool or jogging.

How would you describe SIMONA in a nutshell?
Authentic.

What makes working for SIMONA interesting and fulfilling?
In my work, the main focus is on communication with the market. I aim to show as clearly as possible how our products can solve the challenges faced by our customers. The breadth of our product portfolio makes this job particularly fascinating. Different sales channels and customers in very different markets demand creativity and flexibility in the design of our marketing campaigns. So my work at SIMONA is one thing above all else – extremely varied.

What makes SIMONA "a company like a friend"?
Without a doubt, the partnership mentality, which is definitely one of the key components of the SIMONA DNA. And not just on paper. "A company like a friend" is not an advertising slogan – it is an attitude. It means going out for ice cream together after work or sending a Happy Birthday email to a business partner.

What made you choose SIMONA as your employer?
At SIMONA, international reach, a strong market position, flat hierarchies and a family atmosphere all come together.

What does the SIMONA brand stand for?
Trusted quality, superior know-how and first-class service, before and after sales, in the world of thermoplastics.

What do you hope for from SIMONA in the future?
A willingness to keep testing and pushing our own boundaries, so we can take the next big step forwards.

Compared to competitors in the German plastics market – what could SIMONA do better?
Because plastics are high-performance and long-lasting products, we have the potential to tap into more and more application areas. Making new markets more aware of the huge potential of plastic as a material and the benefits of our products over conventional materials like wood or steel is something we can do better in the future.

What we do is in our genes

SIMONA is one of the world's leading producers and development partners in the market for top-quality, semi-finished thermoplastics, finished parts and piping systems. With a 1400-strong workforce, a comprehensive portfolio and a unique combination of process technologies, we are committed to finding the optimum solution for every one of our customers' requirements.

Quality and care you can rely on

The name SIMONA has been synonymous with quality, care and reliability for over 160 years. The company was founded in 1857 as a leather processor and gained international recognition in the early 20th century as Carl Simon Söhne. In the 1950s it began to shift production towards plastics but always remained true to its values and continued to grow. Today, responsibility for the quality of our products lies with every single employee in every area of the business. We bring together highly motivated workers and cutting-edge technologies to deliver best-in-class results.

A solid financial base with a focus on long-term success

SIMONA has set itself the twin goals of achieving steady revenue and earnings growth and remaining independent. In our core European market, we aim to boost growth by developing new products for new markets and applications. Our focus in the emerging markets of Asia is on high-end industrial applications. In the USA, we plan to generate additional revenue both organically and through acquisitions. In 2018 we made further progress towards our SIMONA 500 target, i.e. annual Group sales of €500 million.

Diversity – Global Thermoplastic Solutions

With over 35,000 products, our portfolio is probably the most diverse in the world. SIMONA uses a wide selection of premium-quality materials in the manufacturing process. Our solutions cover a huge range of applications – from the chemical process, water and energy industries through to environmental technology, mobility, construction and advertising. With production facilities in Europe, the United States and Asia as well as a global distribution and dealership network, we are never far away from our customers.

Our commitment to delivering customer value

Here at SIMONA, our constant focus is on meeting the needs of our customers and delivering great customer value. Our expertise in process engineering is complemented by high-end technical consulting services. SIMONA has established a strong profile in the area of customising. This allows us to offer specifically tailored formats, colours and dimensions in our plastics while responding to the growing demand for individual properties to serve an ever-increasing range of potential applications. Thanks to its processing know-how, SIMONA is well placed to deliver solutions that maximise the benefits to its customers.

The human touch – a company like a friend

At SIMONA, it is people who make the difference. Thoroughly researched advice, cutting-edge skills, conscientiousness and solidarity are the hallmarks of our workforce. Despite SIMONA's exchange listing, it feels and acts like a family company, with a focus on long-term success, flat hierarchies, individual support and social responsibility. This approach has helped us build up a team of loyal and motivated employees, some of whom even strike up friendships with our customers and business partners.

Milestones 2018

High-performance products for thermoforming applications – acquisition of PMC

In August, SIMONA acquired Premier Material Concepts, LLC (PMC), based in Findlay, Ohio, USA. PMC is an extrusion company that specialises primarily in the manufacture of plastic sheet products used in recreational vehicles, motor sports, swimming pools and spas, truck building, the marine and automotive industries, horticulture and landscaping. Focusing on attractive niche markets for thermoforming applications, PMC supplies high-performance plastics requiring specialist solutions and significant materials expertise. It is renowned for its highly flexible production capabilities and extensive in-house expertise in the field of product development. The main materials processed by the company include TPO, ABS and combinations of vinyl and acrylic with ABS. This acquisition will further expand the SIMONA Group's position in its second largest market and help it to diversify its product range. The purchase strengthens extrusion as a core competence and provides access to new materials and markets.

Expansion of the FEP product range

SIMONA® FEP stands out from other lining materials thanks to its excellent non-stick properties. These are particularly advantageous in processes that produce sticky substances. This is where SIMONA® FEP linings help to reduce cycle times by making it possible to empty the components with greater speed and efficiency. Last year, SIMONA introduced FEP with a glass lining for the very first time. This means that we are able to offer a portfolio for linings in corrosive environments. Initial projects have been successfully carried out in France and Germany.

Expansion of Business Development Water Treatment

Supplying the world's population with water is a major challenge for society. The market is expected to see annual growth of 5 %. In order to participate in this growth, SIMONA has expanded its Business Development Management in the area of water treatment and brought together its product range in a new brochure. "We are looking to win over customers with our technical expertise and ensure that our top-quality products are used in projects all over the world", says Daniel Gebhardt, Business Development Manager Water Treatment. Alongside the existing product range in PE and PP, the focus is also on new products. The company expects to gain a competitive edge through the wide range of manufacturing options that it can offer as a result of expanding its plastics workshop.

Investment in the market for large fittings

With the acquisition of a new injection mould at its Ringsheim plant, SIMONA is staking its claim in the market for large-format fittings. One of the core businesses of the Pipes and Fittings division has been the steady expansion of its range of injection-moulded fittings for pipeline construction. The market for large fittings is growing particularly steadily, so SIMONA has invested in an injection mould for T-pieces in 560 mm and 630 mm sizes. The T-pieces are mainly used in water management and plant construction, maritime applications, open pit mining, infrastructure and cooling systems.

The investment is part of the new strategic orientation of the Pipes and Fittings division. The target for 2022 is revenue of more than €100 million with the same profitability. Investment will also flow into manufacturing and new products.

Seawater desalination plant in Doha, Kuwait

Doosan Heavy Industries & Construction, a leading Korean contractor in large water treatment projects, previously used exclusively fibre-reinforced plastics for reverse osmosis in seawater desalination plants. SIMONA was able to convince Doosan to develop a pipeline system in PE. The key to this was the many benefits offered by PE 100. PE is much easier to process. Fully pressure-resistant distribution systems such as header pipes can be produced much more quickly in a semi-automated process. Unlike the process of joining fibre-reinforced plastics, welding the components does not produce any toxic gases. Adaptations, such as lateral connections and other layouts, are easy for workers to handle on site. It is possible to reduce overall manufacturing and installation costs by up to 30 %. For the project, the SIMONA Technical Engineering Team developed an all-plastic fixed flange connection – without the need for loose metal flanges. The fact that it is made from 100 % plastic prevents the flange connections corroding in the salty seawater atmosphere. This is a key consideration in the treatment of drinking water and maintaining hygiene standards. The Doha Kuwait Desalination Plant supplies 900,000 people with 230,000 m³ of clean drinking water every day.

New tunnel for Pforzheim

The city of Pforzheim in southern Germany spent three-and-a-half years building a new railway tunnel. The construction project involved a number of SIMONA products. The old tunnel was no longer fit for purpose in terms of its size and safety concept. The new tunnel in Pforzheim is drained using SIMODRAIN® PE 100 pipelines and SIMODRAIN® PE 100 shaft structures. More than four kilometres of PE 100 pipes with external diameters ranging from 160 to 500 mm were installed, along with more than 60 PE 100 shafts. The complete drainage system made of SIMODRAIN® PE 100 pipelines was constructed with integral "WIMU" socket joints. This simple connection technique proved its worth in the production of each of the 10-metre-long sections. However, SIMONA components were not only used in the tunnel system itself, but also outdoors around the tunnel entrances. These "tunnel portals" were constructed using bored pile walls. The drainage involved SIMONA® double-containment piping systems, which flowed into SIMODRAIN® shafts outside the tunnel.

Lightweight and economical

SIMOPOR CONSTRUCT is a new PVC free-foam sheet that is a "lightweight" among construction sheets. It impresses with its low weight, high stability and excellent processing properties. The sheets are resistant to moisture and many chemical substances, offer protection against corrosion, have good insulating properties, reduce vibration and noise, have a low dead weight, good thermal formability and outstanding properties during machining and milling. SIMOPOR CONSTRUCT provides a sensible alternative to conventional construction sheets made of wood, wood composites, calcium silicate or metal.

Trade fairs 2018

Showcasing pipe rehabilitation solutions

At IFAT, the world's leading trade fair for water, sewage, waste and raw materials management held in Munich, SIMONA showcased its solutions for rehabilitation projects. The new short pipe modules developed for the SIMONA® PP-HM jacking pipe system have been specifically designed for pipe rehabilitation in confined spaces and for installations via shafts and narrow construction trenches. A range of connection techniques for rehabilitation, such as the wall-integrated smooth socket connection, the integral SIMOFUSE® welding connection and the screwable socket connection, were all on show. One of the highlights at the stand was a system-oriented installation technology for SIMONA® internal saddles. Developed in conjunction with the company karo-san, it significantly simplifies installation works.

SIMONA plastics at Achema

Semi-finished products for the chemical processing industry are part of SIMONA's core business. Our sheets, rods, profiles, pipes and fittings offer outstanding levels of safety under the most demanding of operating conditions. At ACHEMA in Frankfurt we presented our innovative system solutions and wide range of technical consultancy services. Certain products have been specially developed for use in the production of chemical tanks and apparatus, such as the new cross-ribbed SIMONA® twin-wall sheets, PFA semi-finished products, which are used to provide protection against corrosion under conditions of extreme chemical and thermal stress, and SIMODUAL² industrial double-containment piping. The fully pressure-resistant pipe system features a continuous, monitorable and pressure-resistant leakage containment chamber.

Digital printing from A to Z at FESPA 2018

The FESPA Global Print Expo focuses on wide-format digital printing. As an innovative service provider in the area of printable plastic sheets, SIMONA displayed its products and services at this major printing industry exhibition in Berlin. SIMONA is one of the initiators and bearers of the quality seal for PVC sheets awarded by pro-K, the industry association for semi-finished parts and consumer products. Companies that have been awarded this label undertake to meet specific quality standards and provide an outstanding service portfolio.

Plastic – an excellent alternative for the agricultural industry

How are plastics different to conventional materials in livestock farming? In comparison with metal and wood, plastics stand out for their excellent corrosion resistance, low weight and long service life. Key product features required by the agricultural sector are ease of cleaning and resistance to acids, fungi and mites. At EuroTier, the world's largest trade fair for animal husbandry in Hanover, we presented our products to this large target group for the first time. Whether it's for biogas plants, animal stalls, air washers, manure conveyor belts or fish breeding tanks, plastics are the great all-rounders that are found in every area of animal husbandry.

SIMONA boltaron at AIX in Hamburg

SIMONA boltaron exhibited at the Aircraft Interiors Expo 2018 in Hamburg – the world's leading event for cabin interiors. On display were its wide range of materials for aircraft interiors and extensive processing options. These included pearlescent and translucent effects and textured, embossed surfaces. All products from SIMONA boltaron are certified by the United States Federal Aviation Administration (FAA). There are no restrictions on the personalised branding that airlines can order for their aircraft interiors.

Large fittings at Expomin in Chile

In 2017, 5.3 million tonnes of copper were mined in Chile. This makes the country at the southern tip of the American continent not only the world's biggest copper producer, but also an extremely promising market for abrasion-resistant and chemical-resistant plastic parts. In April 2018 we exhibited at Expomin, Chile's best-known trade fair for the mining industry, held in the capital, Santiago. Our abrasion-resistant sheets and pipes and SIMONA® super-lining have been specially manufactured for mining industry applications. They impress with their long service life under tough conditions.

Corporate social responsibility 2018

New tablets for primary school

Dominik primary school in Kirn is committed to ensuring that its pupils develop good IT skills. Over the last few years, the school has invested in hardware and software, and now it is providing the students with new tablets.

As part of its commitment to the community where it is headquartered, SIMONA has donated 5,000 euros to the Dominik school to help develop its students' IT skills.

Support for flood victims

Last summer, devastating storms led to heavy flooding in ten villages around Kirn. The villages of Herrstein and Fischbach were particularly badly affected. In order to help the victims to rebuild their communities, Fischbach sports club organised a charity tournament, supported by a four-figure donation from SIMONA. Some members of staff also gave up their free time and even their vacations in order to help the flood victims.

SIMONA ASIA kick-off

To mark Chinese New Year in 2018, all the staff from the Asian business (from Hong Kong, Shanghai, Singapore and also from Germany) came together for the first time at our Jiangmen plant. The start of the Chinese Year of the Dog was celebrated with a traditional ten-course dinner. The evening was also a chance to tell the workforce about opportunities and expectations in the Asian market for 2019.

SIMONA Health Days

The Health Days held at our headquarters in Kirn gave employees an opportunity to learn more about good nutrition and general health and well-being. SIMONA was supported by local pharmacies, an optician, the company doctor and health insurance provider AOK. The SIMONA Health Days are held at regular intervals. They provide an opportunity for staff to learn more about health-related issues in a relaxed atmosphere. Since January 2018, SIMONA has been providing staff at Kirn and Ringsheim with fresh fruit every day, free of charge.

Getting to Know You Day for trainees

In June, 38 new trainees and their families came along to the traditional Getting to Know You Day at the SIMONA headquarters in Kirn. Alongside the company presentation and tours of the plant and warehouse, the focus was on giving trainers and new trainees an opportunity to get to know each other.

Training courses and information days

SIMONA Academy provides training in Jiangmen
As part of the SIMONA Academy, customers were offered training sessions at the Technical Centre of our Chinese production plant in Jiangmen. Two one-day seminars were held in conjunction with the Chinese branch of Leister Technologies, a leading manufacturer of welding machinery. The participants learnt the fundamentals of plastics science and about the latest technology in hot-gas and extrusion welding, then put it into practice using Leister welding equipment on SIMONA products. This welding training was also held at Leister in Shanghai and at customer sites in Shenzhen.

Welding training in India
SIMONA INDIA and Leister Technologies India Pvt. Ltd. provided training to more than 150 Indian customers at different locations. Supported by the Technical Service Centre in Germany, the customers learnt about the various ways in which SIMONA offers technical support around the world. The focus was on the SIMCHEM online database on chemical resistance and the tank calculation software SmartTank. Trainers from Leister explained the basics of hot-gas and extrusion welding.

SIMONA Academy goes to Russia
2018 saw the launch of the SIMONA Academy in Russia. It kicked off with a training course on Basics of Lining and Composite Construction Processing for OOO Roskomstroy, a Russian company specialising in chemical and apparatus engineering and corrosion protection. The 5-day training programme provided participants with theoretical and practical training. The theory element covered the basics of materials and applications and provided the participants with technical tips and tricks based on many years of experience.

SIMONA Engineering Days
Following the successful launch of the SIMONA Engineering Days in France in 2016, Engineering Days were held in Germany and India in 2018. Together with Ashland Technologies GmbH and Lux Engineering, SIMONA presented new corrosion protection solutions. A key benefit in the use of plastics in chemical plant construction is their excellent resistance to a wide variety of aggressive chemicals. Ashland's presentation on epoxy vinyl ester resins and SIMONA's on GFK with thermoplastic linings aroused a great deal of interest among participants.

Awards for SIMONA boltaron and SIMONA AMERICA Industries

At the International Association of Plastics Distribution (IAPD) Congress in 2018 SIMONA AMERICA Industries and SIMONA boltaron won three awards: the IAPD Marketing Excellence Award went to SIMONA boltaron for its successful rebranding with a new logo and a new brand message. SIMONA AMERICA Industries won the IAPD Education Circle of Champions Award for its in-house training programme entitled SIMONA Academy Teammate Training. The programme not only entailed product knowledge but also improved internal communication and team spirit at the Archbald location. And for its annual savings of around 10,000 non-returnable bottles and other sustainable practices, SIMONA AMERICA Industries also received the IAPD Environmental Excellence Award.

Stock Performance and Capital Markets

SIMONA STOCK 2018

WKN (German securities no.)	723940
ISIN	DE0007239402
Type of security	Domestic stock
Par value	No-par-value shares
Issued capital	€15.5 million
Stock exchange	Frankfurt am Main (General Standard) Berlin
Price at beginning of the year	€565.00
Price at end of the year	€490.00
Annual high	€590.00
Annual low	€430.00
Price swing 2018	–13.3 per cent

GERMAN STOCK MARKET IN 2018

Overall, 2018 proved to be a weak year of trading for stocks. Germany's blue chip index, the DAX, lost 18.3 per cent in value, which was more than the majority of other key stock indices around the globe. The three key determinants influencing markets over the course of the year were the trade conflict between the United States and China, negotiations surrounding Brexit and the dispute over Italy's budget between its newly formed government and the EU Commission. Market sentiment deteriorated further over the course of the year in response to a bleaker economic outlook. Starting from a base of around 12,900 points, the DAX reached an all-time high of around 13,600 points in January; the DAX trended downward over the remainder of the year. At the end of the annual period it stood at just under 10,600 points.

SIMONA STOCK

Although SIMONA's shares were unable to isolate themselves from the general malaise afflicting stock markets in the period under review, they managed to outperform the DAX. From an initial price of €565, the company's stock held its ground up to the beginning of May, supported by the company's positive financial results. The share price lost some of its momentum over the following months and closed the year at €490. Calculated on an annual basis, this translates into a loss of 13.3 per cent. At the beginning of March 2019 the company's share price stood at around €490.

EARNINGS PERFORMANCE SIMONA GROUP

		2018	2017	2016
EBIT	€m	33.2	31.1*	30.2
EBIT	EBIT	8.0	7.9*	8.2
EBITDA	€m	48.4	45.5*	43.9
EBITDA	%	11.6	11.6*	12.0
Total assets	€m	400.9	363.4	363.0
Equity	€m	220.7	202.3	192.0

Based on IFRS

STOCK PERFORMANCE

		2018	2017	2016
Earnings per share	€	40.24	29.08	32.48
Dividend	€	14.00	12.00	12.00
Dividend yield	%	2.4	2.1	2.7
P/E ratio**		12.2	19.8	13.5
Year-end price	€	490.00	574.45	441.00

* As from the 2018 financial year, income and expenses from currency translation relating to financing activities are accounted for in net finance costs/income rather than in operating profit. For the purpose of improved comparability, the prior-year figures have been adjusted accordingly.
** Calculated on Group basis

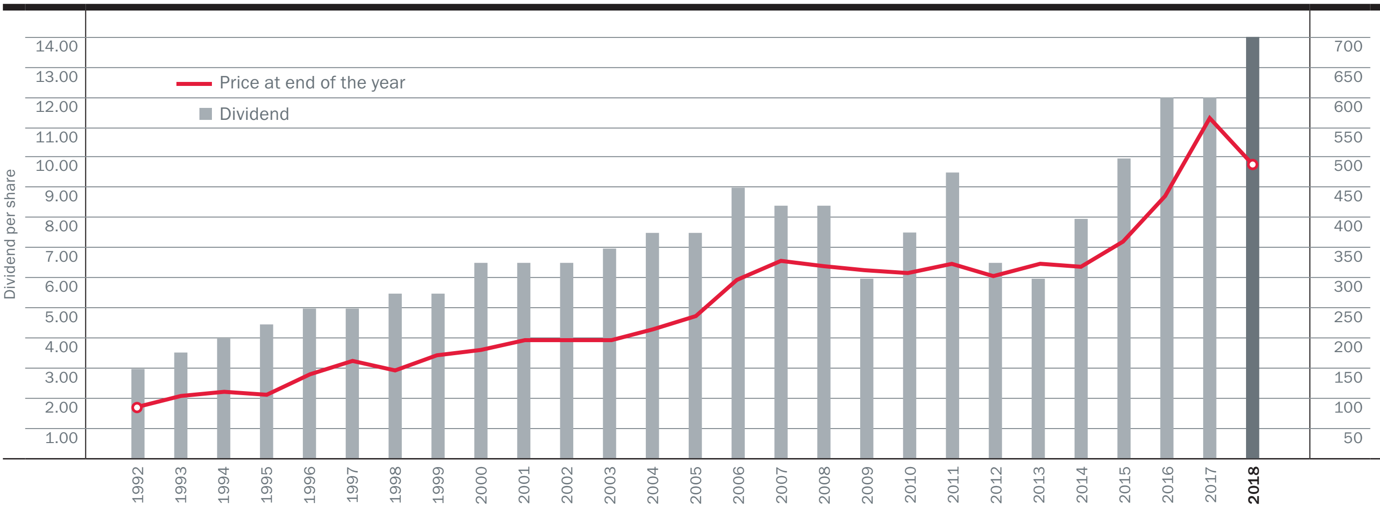
DIVIDEND

The Management Board and Supervisory Board will propose to the Annual General Meeting a dividend payout of €14.00 per share. This is the fourth time in five years that SIMONA has increased its dividend. Earnings per share rose from €29.08 to €40.24.

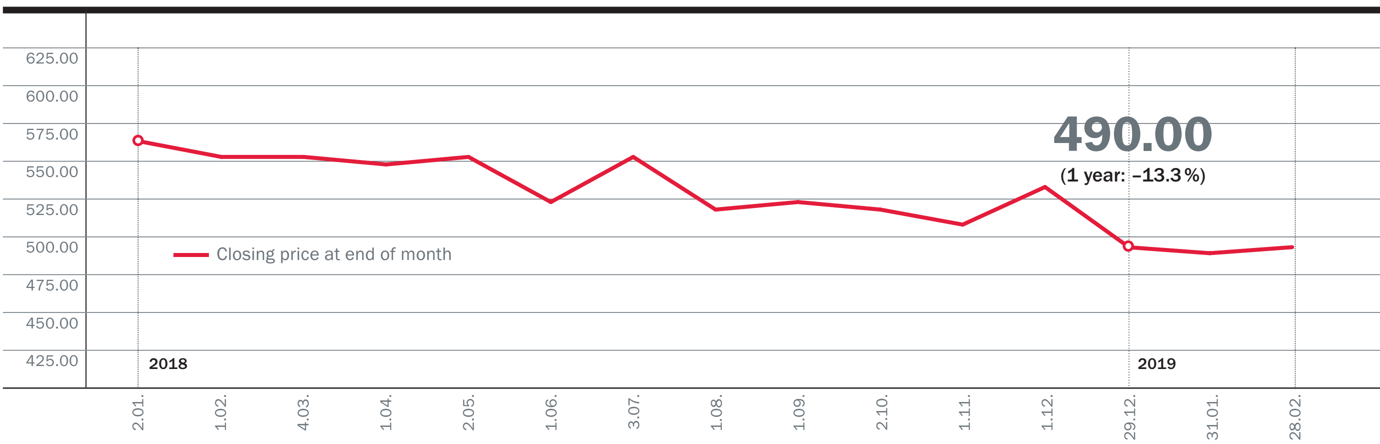
INVESTOR RELATIONS CONTACT

Phone +49 (0) 6752 14-383
ir@simona.de
www.simona.de/ir

SHARE PRICE AND DIVIDEND SINCE IPO (in €)



STOCK PERFORMANCE (in €)



Governing Bodies at SIMONA AG

MEMBERS OF THE MANAGEMENT BOARD

Wolfgang Moyses
CEO
Chief Executive Officer
Member of the Management Board since 1999
Areas of responsibility

- USA and Asia-Pacific
- Global Business Segments
- Strategic Business Development
- HR & Legal
- Investor Relations
- Marketing and Communication
- Finance
- Controlling
- Taxes
- Purchasing
- IT & Organisation
- Quality Management

Dirk Möller
Deputy Chairman
Chief Operating Officer
Member of the Management Board since 1993
Areas of responsibility

- Pipes and Fittings Division
- Semi-Finished Products Division Europe
- Research and Development
- Applications Technology/ Technical Service Centre
- Process Development
- Logistics

Fredy Hiltmann
Chief Financial Officer
(until 30 June 2018)

Dr. Jochen Hauck
Chief Operating Officer
(since 1 January 2019, successor to Dirk Möller)

MEMBERS OF THE SUPERVISORY BOARD

- Dr. Rolf Goessler
  Bad Dürkheim, Diplom-Kaufmann
  Chairman
- Roland Frobel
  Isernhagen, Tax Consultant
  Deputy Chairman
- Dr. sc. techn. Roland Reber
  Stuttgart, Managing Director of Ensinger GmbH, Nufringen
- Joachim Trapp
  Biberach, Member of the Management Board of Kreissparkasse Biberach, Biberach (until 31 May 2018)
- Martin Bücher
  Biberach, Member of the Management Board of Kreissparkasse Biberach, Biberach (since 8 June 2018)
- Andy Hohlreiter
  Becherbach,
  Chairman of the Works Council
  Employee Representative
- Markus Stein
  Mittelreidenbach,
  Deputy Chairman of the Works Council
  Employee Representative

AUDIT COMMITTEE

- Roland Frobel,
  Chairman
- Dr. Rolf Goessler
- Dr. sc. techn. Roland Reber

PERSONNEL COMMITTEE

- Dr. Rolf Goessler,
  Chairman
- Roland Frobel
- Dr. sc. techn. Roland Reber

Report by the Supervisory Board
2018 Financial Year

SIMONA's global business activities generated growth in both revenues and earnings in 2018. Group sales revenue rose by 6 per cent year on year to €417.9 million, while profit before taxes improved by almost €8 million compared to the previous year, taking the figure to €32.3 million. At an operating level, the improvement in earnings had less of an impact, particularly as, compared with the previous year, we did not have to contend with significant foreign exchange losses. The individual markets developed along very different lines, which also applied to the situation within our two product categories.

DR. ROLF GOESSLER
Chairman of the Supervisory Board

As a result of the more pronounced political tensions that have now spread throughout the world, we are feeling a sense of uncertainty among our customers, who are generally more hesitant in terms of demand, resulting in more aggressive competitive behaviour.

Strengthening our position in Europe, above all through corresponding efficiency improvements, together with the successful expansion of our overseas activities, is therefore a priority for the near future.

Our dividend proposal of €14.00 reflects our confidence in the future of SIMONA.

COOPERATION WITH THE MANAGEMENT BOARD

Over the course of the 2018 financial year, the Supervisory Board discharged its duties under statutory provisions, the company's articles of association and terms of reference, advised the Management Board on a regular basis and evaluated and monitored management's activities in respect of legality, appropriateness and regularity. 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 execution with regard to strategic initiatives. The Supervisory Board was directly involved in all decision-making processes of fundamental importance to the company. The Management Board informed the Supervisory Board as part of regular written and verbal reports, furnished in a timely and comprehensive manner. At the same time, the Management Board outlined any deviations between specified targets and the actual course of business, elucidated them in full and explained any countermeasures taken to rectify the situation. The content and scope of reports furnished by the Management Board met the requirements set out by the Supervisory Board. In addition to the above-mentioned reports, the Supervisory Board asked the Management Board to provide supplementary information relating to certain issues.

In particular, the Management Board was available at Supervisory Board meetings for the purpose of discussing specific points and answering any questions put to it by the Supervisory Board. Transactions requiring the Supervisory Board's consent were discussed and examined in depth in cooperation with the Management Board. Where required, the Supervisory Board also convened without the Management Board being present.

The Chairman of the Supervisory Board was also kept fully informed by the CEO about current matters and circumstances in between meetings convened by the Supervisory Board and its committees. In the case of significant events in respect of the situation and performance of the company, this information was provided immediately.

Additionally, the Chairman of the Supervisory Board conducted one-to-one meetings with the other members of the Management Board for the purpose of discussing specific issues relating to their remit.

In accordance with the provisions of the German Corporate Governance Code, the Supervisory Board reviews the efficiency of its activities on a regular basis. The most recent review was conducted in 2017. No requests for changes were submitted.

SUPERVISORY BOARD MEETINGS

The Supervisory Board convened four scheduled meetings over the course of 2018. Having left the Executive Board of Kreissparkasse Biberach, one of our principal shareholders, Joachim Trapp also resigned from the Supervisory Board effective from 31 May 2018. We would like to thank him for his constructive contribution and wish him all the best as he enters retirement. At the Annual General Meeting of 8 June 2018 Martin Bücher, Chairman of the Executive Board of Kreissparkasse Biberach, was elected onto the Supervisory Board of SIMONA AG as his replacement. With the exception of Martin Bücher and Dr. Roland Reber, who were unable to attend the meeting on 17 October 2018 and were duly excused, the members of the Supervisory Board attended all meetings during the 2018 reporting period.

At the meeting on 18 April 2018, the focus was on approving and adopting the consolidated financial statements, the separate financial statements of the parent company, the proposal by the Management Board for the appropriation of distributable profit generated in the financial year 2017, the report by the Supervisory Board for the financial year 2017 and the result of the year-end audit conducted by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. At this meeting, the Supervisory Board also approved the Non-Financial Statement pursuant to Section 289 b) – e) HGB, the agenda for the 2018 Annual General Meeting and the Corporate Governance Statement. In addition, the Supervisory Board discussed the execution of the company's strategic reorientation within the Pipes and Fittings division. The separation agreement in connection with the new legal structure of SIMONA AG and the implications of the new General Data Protection Regulation (GDPR) were also dealt with by the Supervisory Board. At this meeting the Supervisory Board approved an election proposal to be submitted to the Annual General Meeting as regards a successor to Joachim Trapp on the Supervisory Board.

At the meeting on 7 June 2018, the current business situation and the projected performance for the 2018 financial year were discussed and focal points for possible acquisition projects were defined. In addition, the Supervisory Board made preparations for the Annual General Meeting on 8 June 2018.

At the meeting on 17 October 2018, the Supervisory Board discussed the current situation with regard to the acquisition of US-based extrusion company PMC, the restructuring of the SIMONA AMERICA Group, the implementation of corporate restructuring at SIMONA AG and the general appeal of SIMONA AG as an employer. In addition, investments in the Pipe and Fittings product area as well as new regulations for resolutions by means of circulation were approved. In addition, the Management Board provided information on the current status of acquisition projects.

At its meeting on 11 December 2018, the Supervisory Board discussed and approved the budget for 2019. In addition, it was informed about the Group's business performance and received an outlook for the end of the year. The Supervisory Board also discussed the next steps relating to the planned refurbishment/construction of the administration building at the Group headquarters in Kirn. As part of the internal meeting, Dr. Jochen Hauck was appointed as an additional member of the Management Board of SIMONA AG effective from 1 January 2019.

COMMITTEE WORK

The Supervisory Board is assisted by the Audit Committee and Personnel Committee. Both committees regularly provide the Supervisory Board with extensive information relating to their activities. The Audit Committee is responsible primarily for issues relating to the supervision of the accounting process, the efficacy of the internal control system and the internal auditing system, year-end auditing, with a particular focus on the independence of the auditor, the additional services provided by the independent auditor, the determination of auditing focal points and arrangements relating to fees as well as compliance 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.

Audit Committee

The Audit Committee convened on four occasions. Conclusions drawn from current business performance were regularly discussed by the Supervisory Board. At an international level, the direction taken by our overseas production companies were discussed in detail, the focus being on the United States and China. Opportunities and risks in other parts of the world were also discussed not only in the context of existing business relationships but also in particular as part of numerous presentations on possible acquisitions.

Personnel Committee

The Personnel Committee met on four occasions. Our deliberations were mainly centred on the leadership structure of the SIMONA Group, with a strong emphasis on specific changes within the Management Board. Fredy Hiltmann left the company effective from 30 June 2018. We would like to thank him for his committed contribution and wish him all the best for the future. Dirk Möller will hand over his responsibilities to Dr. Hauck as from 30 June 2019 and Wolfgang Moyses has decided not to extend his contract beyond 31 October 2019 for personal reasons. With this in mind, the Personnel Committee will discuss new appointments to the Management Board and will present its proposals to the Supervisory Board.

Dealing with conflicts of interest

All members of the Supervisory Board are obliged to disclose conflicts of interest as soon as they occur. As in the previous years, there were no conflicts of interest during the 2018 financial year. Following our review, we ascertained that all members of our board are independent within the meaning of the German Corporate Governance Code.

ANNUAL FINANCIAL AND CONSOLIDATED FINANCIAL STATEMENTS

The accounts of SIMONA AG for the 2018 financial year were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. The firm was elected as auditor at the Annual General Meeting on 8 June 2018. Before proposing PricewaterhouseCoopers GmbH as auditor to the Annual General Meeting of Shareholders, the Chairman of the Supervisory Board had obtained confirmation from PricewaterhouseCoopers GmbH that there were no circumstances which might prejudice its independence as an auditor. The auditor conducted an audit and furnished an unqualified audit opinion with regard to the financial statements and management report of SIMONA AG and the consolidated financial statements and Group management report, which was combined with the management report of SIMONA AG, as well as the explanatory report by the Management Board in respect of disclosures under Section 289(4) and 315(4) HGB in conjunction with the accounting records. The financial statements mentioned above, the audit reports and the Management Board's proposal for the appropriation of the unappropriated surplus were submitted to all Audit Committee and Supervisory Board members in good time. At the Supervisory Board meeting on 12 April 2019, the independent auditor furnished detailed information about all material conclusions of the audit and answered all questions put forward by the Supervisory Board in a detailed and comprehensive manner. The Supervisory Board independently examined the financial statements and management report of SIMONA AG as well as the consolidated financial statements and the Group management report, which has been combined with the management report of SIMONA AG, as prepared by the Management Board, in addition to the explanatory report by the Management Board in respect of disclosures required under Section 289(4) and Section 315(4) HGB, the audit reports issued by the independent auditor and the proposal put forward by the Management Board with regard to the appropriation of profit. The Supervisory Board raised no objections upon conclusion of this final examination. The Supervisory Board concurs with the findings of the audit conducted by the independent auditor and approved the company's financial statements, which are thereby adopted pursuant to Section 172 sentence 1 AktG, as well as the consolidated financial statements at its meeting on 12 April 2019. It also approved the report by the Supervisory Board. Furthermore, the Supervisory Board concurs with the Management Board's proposal for the appropriation of profit. The Supervisory Board conducted a thorough review of the non-financial statement issued by the company in accordance with Sections 289b – 289e HGB; it discussed it at its audit meeting on 19 April and adopted it accordingly. No voluntary review by the independent auditors was conducted in respect of the non-financial statement, as the Supervisory Board possesses the requisite expertise in this matter.

Our special thanks once again go to our employees worldwide. Our achievements are a tribute to their dedicated commitment. At the same time, we would like to thank our customers and business partners.

Kirn, 12 April 2019

THE SUPERVISORY BOARD
Dr. Rolf Goessler, Chairman

Combined Management Report for the 2018 Financial Year

This management report combines the Group management report and the separate management report of SIMONA Aktiengesellschaft, Kirn (referred to also as SIMONA AG, SIMONA or company) (Section 315(3) in conjunction with Section 298(3) of the German Commercial Code – HGB). This combined management report has been published instead of a Group management report in the annual report of the SIMONA Group. It includes details relating to the course of business, including performance, as well as the position and expected development of the Group and SIMONA AG. Information pertaining to SIMONA AG has been included in the business review that can be found in a separate section with details presented in accordance with provisions set out in the German Commercial Code (Handelsgesetzbuch – HGB).

1. FUNDAMENTAL INFORMATION ABOUT THE GROUP

1.1 The business model

The SIMONA Group develops, manufactures and markets a range of semi-finished thermoplastics, pipes and fittings as well as finished parts and profiles. The materials used include polyethylene (PE), polypropylene (PP), polyvinyl chloride (PVC), polyethylene terephthalate (PETG), polyvinylidene fluoride (PVDF), ethylene-chlorotrifluoroethylene (E-CTFE), perfluoroalkoxy (PFA), thermoplastic olefins (TPO), acrylonitrile butadiene styrene (ABS) and 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.

Key sales markets

Semi-finished parts are deployed mainly within the area of chemical tank and equipment construction, mechanical engineering, the transport industry, the construction sector, the exhibition and display sector as well as the automotive and aerospace industry. Pipes and fittings are used primarily for drinking-water supply, sewage disposal and industrial piping systems, including the chemical process industry. Finished parts and profiles are destined in particular for the mechanical engineering and transport technology sectors.

The SIMONA Group markets its products worldwide. Categorised geographically according to the regions

- Europe
- Americas
- Asia and Pacific,

the business segments comprise the product areas

- Semi-Finished and Finished Parts
- Pipes and Fittings

Production and sales locations

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, India and the United States, both directly and via trading partners. Beyond this, SIMONA AG operates a sales office in Möhlin, Switzerland. It contributes around 3 per cent to Group sales revenue. The parent company, SIMONA AG, has its registered office in 55606 Kirn (Germany). In the period under review, the SIMONA Group operated three manufacturing facilities in Germany and four plants located 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-Württemberg). The plant in Litvinov (Czech Republic) produces pipes and sheets, while the site in Jiangmen (China) manufactures sheets. The facility operated by SIMONA AMERICA Inc. in Archbald (Pennsylvania, USA) mainly produces sheet products. Boltaron Inc. produces thermoplastic sheet products at its plant in Newcomerstown (Ohio, USA), which are primarily used for aircraft interiors and in the building sector. Additionally, SIMONA PMC LLC, an entity acquired in August 2018, manufactures sheet products at its facility in Findlay (Ohio, USA). Made primarily from thermoplastic olefins (TPO) and acrylonitrile butadiene styrene (ABS), they are used in thermoforming applications.

On 8 June 2018, the Annual General Meeting of SIMONA approved a proposal for the introduction of a new legal structure at SIMONA AG. From an organisational perspective, manufacturing is clearly separated from administration, sales and logistics. Effective from 1 January 2018, the manufacturing operations in Kirn and Ringsheim were transferred to two GmbH & Co. KG companies that operate as wholly-owned subsidiaries of SIMONA AG and were thus separated accordingly.

Management and supervision at SIMONA AG

In the financial year under review the Management Board consisted of Wolfgang Moyses (Chairman/CEO), Dirk Möller (Deputy Chairman/ COO) and Fredy Hiltmann (until 30 June 2018).

The Supervisory Board included the following members in the financial year under review:
Dr. Rolf Goessler (Chairman), Roland Frobel (Deputy Chairman), Dr. Roland Reber, Joachim Trapp (until 31 May 2018) and Martin Bücher (since 8 June 2018) as well as Andy Hohlreiter and Markus Stein as employee representatives.

1.2 Objectives and strategies

Focusing invariably on customer value, the SIMONA Group sees itself as a global solution provider for plastics applications. The SIMONA Group is committed to steady growth in revenues and earnings, while pursuing business expansion on its own terms and remaining independent. During the 2018 financial year, SIMONA took another step forward when it comes to achieving its strategic goal of generating Group revenue of €500 million as part of the "SIMONA500" plan. Revenue growth is to be achieved organically and through acquisitions. The Group's long-term goal is to achieve an EBIT margin of 6 to 8 per cent.

SIMONA has defined three key strategic areas for the purpose of meeting its revenue and earnings targets:

- Enhanced innovatory abilities
- More pronounced growth in the emerging markets
- Achieving operational excellence

The aim is for SIMONA to grow within its core market of Europe in particular, the emphasis being on new fields of application and new markets. Within the emerging markets SIMONA is focusing its business activities on Asia-Pacific, the aim being to achieve a significant market position in this region. When it comes to operational excellence, the objective set is to raise productivity levels gradually at all plants and in all processes. In 2018, an in-depth assessment was conducted with regard to the strategic position of the Pipes and Fittings division. A concept was drawn up with the aim of expanding revenue to over €100 million by 2022. For this purpose, investments will be made in manufacturing operations, product development and personnel for market cultivation. In the United States, the corporate structure is to be optimised effective from 1 January 2019 within the newly established entity known as SIMONA AMERICA Group, Inc.

1.3 Internal control system

SIMONA 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 analysis and assessment of earnings performance by SIMONA is conducted primarily with the help of sales revenue as well as the two financial indicators EBIT and EBITDA. EBIT represents the operating result before interest and taxes as well as income from investments. EBITDA (earnings before interest, taxes, depreciation and amortisation as well as investment income) represents an approximation for cash flow from operating activities, as non-cash depreciation/write-downs of property, plant and equipment as well as amortisation/write-downs of intangible assets are added to the EBIT figure.

Additionally, the return on operating assets is reviewed annually within the Group as part of the forecasting process and is an important criterion when it comes to managing the investment budget. ROCE, which stands for return on capital employed, is used as a profitability indicator; capital employed includes intangible assets, property, plant and equipment, financial assets, inventories and trade receivables less trade payables.

The principal non-financial indicators employed by the company include customer satisfaction, number of staff and their qualifications as well as quality management.

1.4 Research and development

Research and development is subdivided into the areas of Formula Development, New Products & Applications and Process Development. Innovation Circles apply the Stage-Gate process to evaluate and prioritise new product ideas, before pursuing market roll-out. The indicator used in this area is the share of recent products (no older than three years) in total sales revenue, which was further increased over the course of 2018. This was achieved primarily with the help of new product variants and by extending the range of fittings.

In process development and production, the focus was on modernising measurement technology and expanding capacities. At the technology centre at the Group headquarters in Kirn, drying, conveying and dosing technology was updated and extended to all systems. At the US plant in Archbald, the focus of investments was on increasing output rates for special product lines and on introducing automation technology to simplify handling. Storage capacity was also expanded. At the US plant in Newcomerstown, another extrusion line was commissioned in the third quarter of 2018 in order to meet the strong demand for products used in aircraft interiors. In addition, a fully automated mixing system was put into operation. At the Chinese plant in Jiangmen, a new sheet extrusion line was also commissioned to expand capacity. Investments were also made to improve quality in the production of multilayer sheets for automotive applications.

In the area of Semi-Finished Parts, SIMONA added to its product range for linings in the field of high-end corrosion protection with the introduction of FEP products with glass fibre backing and won its first projects. SIMONA FEP is characterised by special non-stick properties and helps to reduce cycle times and increase efficiency. Product development relating to the PVC-free variant of a carrier sheet for floor coverings was successfully completed in the year under review.

In the area of Pipes and Fittings, the focus was on raising efficiency levels through automation and technological innovation. To this end, the production capabilities of the plastics workshop – accommodated in a facility that had been built in the previous year at one of the German sites – were expanded. In addition, the product portfolio centred around large fittings and machine capacity for injection moulding were expanded. Special pipe types based on new pipe materials were developed in order to be able to offer optimum solutions for various areas of application, such as PE pipes with higher long-term temperature resistance for the laying of high-voltage cables, PP pipes with a high modulus of elasticity for jacking technology in the area of pipeline rehabilitation and special PA pipes for gas transport with a pressure load capacity of up to 16 bar.

Expenses attributable to research and development within the Group amounted to €4,023 thousand in the period under review (previous year: €4,451 thousand). Expenses are mainly comprised of staff costs, material costs and depreciation of property, plant and equipment.

2. BUSINESS REVIEW

2.1 Macroeconomic and sector-specific environment

According to data presented by the International Monetary Fund (IMF), the global economy expanded by 3.7 per cent in 2018, following a growth rate of 3.8 per cent in the preceding year. In this context, however, many economies saw growth weaken substantially in the second half of the year.

Germany's economy expanded for the ninth year in succession in 2018, although it lost some of its forward momentum in the period under review. Gross domestic product (GDP) rose by 1.4 per cent (2017: 2.2 per cent). Growth was driven primarily by domestic consumption and investment spending. Capital expenditure on technical equipment grew by 4.5 per cent year on year. Investment in the area of construction rose by 3 per cent.

According to projections by Eurostat, a Directorate-General of the European Commission, eurozone GDP rose by 1.8 per cent in 2018, i.e. at a much slower rate than in 2017 (+2.5 per cent).

Based on preliminary data, the US economy expanded by 2.9 per cent, which was much more than in the previous year (+2.3 per cent). Growth was fuelled primarily by private consumption and a significant increase in investment spending.

The Chinese economy expanded by 6.6 per cent, following growth of 6.9 per cent in the preceding year. Thus, growth was in line with the government target of 6.5 per cent, but it was also the lowest rate of expansion in almost three decades. The threat of a trade war with the United States, together with other longer-term factors such as the increase in loan-based debt, is now leading to a more cautious approach among consumers and companies.

Germany's plastics processing industry recorded another year of growth. According to data published by the industry association GKV, total revenue increased by 3.1 per cent to €65.7 billion in 2018 (prev. year: €63.7 billion). Thus, the plastics processing industry as a whole grew by around twice as much as GDP. Growth was driven by the construction, consumer goods and packaging sectors, whereas expansion in the tech industry was less pronounced due to a more sluggish automotive sector. At 2.4 per cent, revenue generated from domestic sales expanded at a slower rate than revenue earned abroad (3.8 per cent).

According to the industry federation VCI, the chemical-pharmaceutical sector performed well in 2018. Both production (+3.6 per cent) and revenue (+4.1 per cent) trended higher. However, the general mood within the market was much cooler in the final quarter of the year.

Production output in Germany's mechanical engineering sector fell well short of expectations in 2018. According to initial calculations by the Federal Statistical Office, growth stood at 2 per cent, which was considerably lower than the figure of 5 per cent targeted by the industry association VDMA. This was attributable to the sector's poor performance in November and December. After the first ten months of the year growth in production output had stood at 3.7 per cent.

Data presented by Hauptverband der Deutschen Bauindustrie, Germany's central federation of the construction industry, points to revenue expansion of 10.7 per cent (nominal, companies with more than 20 employees) within Germany's principal construction sector in the period from January to November 2018. Thus, with order intake remaining high, the buoyant construction sector remains strong.

The global market for aircraft interiors is expanding by 5.6 per cent per annum, according to the market intelligence agency Counterpoint. Growth is being driven primarily by strong demand for new aircraft, particularly in Asia.

2.2 Course of business – SIMONA Group

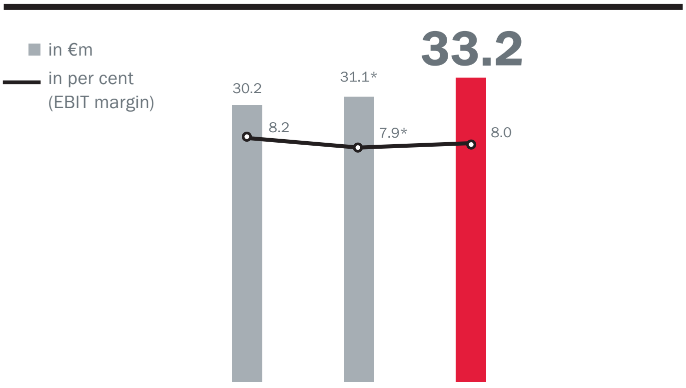
Sales revenue totalled €417.9 million in the 2018 financial year (previous year: €394.1 million), which corresponds to an increase of 6.0 per cent. This was driven in particular by strong growth in the United States as a result of a solid performance in the Aviation and Industrial Products business as well as the acquisition of PMC, a company specialising in thermoforming products. Europe as a whole saw a moderate increase in revenue. While the region covering Germany, Austria and Switzerland developed very well, Western Europe was impacted by a sluggish economic performance in Italy and France. On the back of significant revenue growth in the preceding year, Asia was stable in the period under review. Competition remained intense in all regions and product groups. The revenue guidance of €405 to 410 million for the 2018 financial year, as presented in the previous year's Group management report and 2018 interim report for the first half, was achieved by the Group, when adjusted for acquisitions.

Preliminary note

In the past, the SIMONA Group presented income and expenses from foreign currency translation entirely in other income and expenses. As from the 2018 financial year, the effects of financing activities will be accounted for in net finance cost/income for the purpose of improving the presentation of operating profit. Therefore, the prior-year figures presented in the consolidated financial statements for the 2017 financial year cannot be used for year-on-year comparative purposes; they have been adjusted accordingly (cf. Note [2] in the notes to consolidated financial statements).

Group earnings before interest and taxes (EBIT) totalled €33.2 million, up on the figure of €31.1 million reported in the previous financial year. The EBIT margin stood at 8.0 per cent (previous year: 7.9 per cent). The Group therefore managed to achieve its projected EBIT margin of between 7 and 9 per cent. EBITDA rose from €45.5 million a year ago to €48.4 million at the end of the reporting period. Thus, the EBITDA margin remained unchanged year on year at 11.6 per cent.

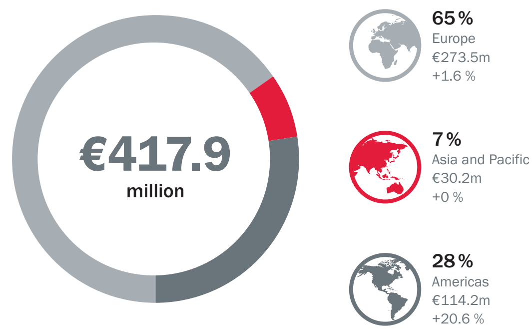
EBIT



* see preliminary note

At 10.9 per cent, Group ROCE was at the upper end of the range targeted, but down on the prior-year figure of 11.6 per cent.

REVENUE BY REGION (in per cent)



Allocated acc. to place of registered office of revenue-generating business unit

Europe

In the region encompassing Europe, sales revenue increased by 1.6 per cent to €273.5 million (previous year: €269.2 million), primarily due to a solid performance in the area of Pipes and Fittings and growth generated through Semi-Finished and Finished Parts in Central Europe. At €102.8 million, revenue generated in Germany was slightly higher than in the previous year. Revenue from sales in Western Europe was down year on year due to a decline in project-related business and a weak performance in France and Italy. Eastern Europe, by contrast, saw revenue expand in the period under review. Owing to the expansion in revenue from sales in the Americas, the share of total revenue attributable to Europe fell further in the period under review, down from 68.2 per cent to 65.4 per cent. EBIT within the segment covering Europe fell slightly from €15.6 million in the previous year to €14.8 million in the period under review.

Americas

Revenue generated from sales in the Americas expanded significantly due to the acquisition of the subsidiary Premier Material Concepts and a solid performance within both the Aviation and the Industrial Products market – up by 20.6 per cent to €114.2 million (previous year: €94.7 million). Excluding the acquisition, revenue would have increased by around 11 per cent. SIMONA AMERICA Inc. further expanded its market share in the area of Industrial Products during the financial year under review, in addition to achieving significant revenue growth in the area of Semicon. Benefiting from sustained buoyancy in the aviation market, Boltaron Inc. managed to increase revenue in the Aviation and Specialty Products category. In total, the revenue and earnings target for 2018 was exceeded by both companies. The share of total revenues attributable to this region rose from 24.0 per cent to 27.4 per cent. The Americas segment generated EBIT of €17.9 million (previous year: €15.7 million). The Group recorded further productivity gains at its US plants.

Asia and Pacific

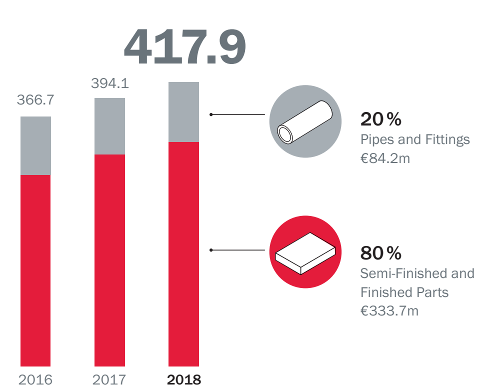
After significant growth in the previous year, revenue in the region encompassing Asia and Pacific stagnated at €30.2 million in the period under review (previous year: €30.2 million). As a result, the share of total revenues attributable to this region fell from 7.7 per cent to 7.2 per cent. Despite negative currency effects (€–0.2 million), the Asia and Pacific segment recorded EBIT of €0.8 million (previous year: €0.0 million).

Sales revenue by product area

The product area comprising Semi-Finished and Finished Parts emulated last year's solid performance by recording revenue growth of 6.3 per cent, taking the figure to €333.7 million in the 2018 financial year (previous year: €313.8 million). Revenue growth was driven mainly by the industrial products and aviation business in North America. The area covering PVC foam products was impacted by intense competition. Revenue generated from sales in the area of solid and hollow rods was up in the financial year under review. Business expanded further as a result of an extension to the product range of fluoropolymers.

The product area comprising Pipes and Fittings met its revenue targets in the financial year under review and grew by 4.9 per cent to €84.2 million (previous year: €80.3 million). This was driven by a positive global performance in the area of industrial products as well as with regard to infrastructure business, primarily in Germany and Eastern Europe. Supported by international marketing efforts, investments aimed at extending the range of fittings also contributed to growth in this product area.

REVENUE BY PRODUCT AREA (in €m)



Orders

Order backlog within the Group stood at €51.0 million (previous year: €40.0 million); of this total, a figure of €24.1 million (previous year: €21.4 million) is attributable to SIMONA AG.

2.3 Financial performance

Earnings

Group EBIT (earnings before taxes, interest and investment income) rose by 6.8 per cent, up from €31.1 million to €33.2 million. At 8.0 per cent, the EBIT margin was up slightly on the figure of 7.9 per cent recorded in the previous financial year.

Supported by revenue growth, gross profit (revenue, other income, change in inventories of finished goods and work in progress less cost of materials) rose by €10.8 million to €197.1 million in 2018, which corresponds to 47.2 per cent of revenue (previous year: 47.3 per cent).

As in the previous financial year, an increase in inventories of €7.3 million (previous year: €7.2 million) was accounted for in the income statement.

Other income totalled €4.9 million (previous year: €4.3 million).

Commodity prices continued to spiral over the course of 2018, before trending slightly lower towards the end of the year. The cost of materials was €233.0 million (previous year: €219.3 million), i.e. this item expanded in line with revenue growth. At the same time, energy-related costs were up yet again compared to the previous year.

Staff costs stood at €78.8 million (previous year: €74.8 million), up 5.3 per cent on last year's figure. The year-on-year change is due primarily to staff recruitment at Boltaron and the first-time consolidation of the recently acquired US-based entity PMC.

Depreciation of property, plant and equipment and amortisation of intangible assets, including write-downs, amounted to €15.1 million (previous year: €14.4 million).

Other expenses increased year on year, up by 6.0 per cent to €70.0 million (previous year: €66.0 million). The increase was due primarily to higher expenses for sales, outward freight and administration.

In line with higher pre-tax profit, taxes on income rose from €7.1 million in the previous year to €8.0 million in the reporting period. The Group tax rate stood at 24.9 per cent in the reporting period (previous year: 28.9 per cent).

Segment-specific disclosures

The individual sales companies operating within the segment encompassing Europe recorded positive earnings in the period under review. In particular, the earnings contributions made by the subsidiary in Spain and the Eastern Europe sales and production companies were, in part, substantially higher year on year. In line with revenue growth and due also to higher raw material costs, material-related expenses increased from €162.8 million in the previous year to €165.6 million in the period under review. At €55.9 million, staff costs were up 2.2 per cent on the figure posted in the previous year. Other expenses totalled €46.0 million (previous year: €44.9 million).

In total, the subsidiaries operating within the Americas segment saw their contributions to earnings expand substantially in the financial year under review. The cost of materials amounting to €53.6 million (previous year: €43.0 million) rose mainly as a result of the first-time consolidation of PMC, a recently acquired entity, and the expansion in sales volumes. Staff costs stood at €19.7 million (previous year: €17.1 million). At €19.3 million, other expenses were up by €2.1 million compared to the previous year.

The Asia and Pacific segment made a positive earnings contribution of €0.8 million. On the back of a solid performance in the previous year, the plant in China was again able to slightly increase its earnings before interest and taxes (EBIT) and EBITDA. Staff costs were up marginally year on year and other expenses were up marginally year on year. The sales companies operating within the Asia and Pacific segment saw their earnings decline year on year.

2.4. Financial position

Total Group assets amounted to €400.9 million as at 31 December 2018, which was considerably higher than in the previous year (€363.4 million) due to the corporate acquisition in the United States.

Changes to assets

Intangible assets mainly include goodwill from US acquisitions. The year-on-year increase by €9.7 million to €39.1 million was attributable primarily to the corporate acquisition in the United States and the direction taken by the US dollar.

Property, plant and equipment amounted to €129.1 million (previous year: €114.4 million). The increase by €14.7 million is due above all to the entity acquired in the United States. Investments in property, plant and equipment totalled €16.9 million at Group level. Depreciation and write-downs of property, plant and equipment stood at €13.5 million.

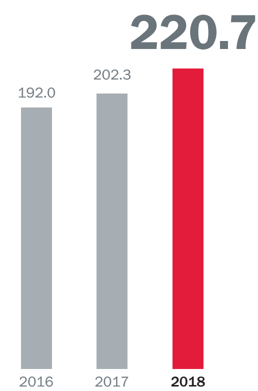
Inventories totalled €92.4 million (previous year: €78.0 million). At €34.0 million, inventories of raw materials, consumables and supplies were higher than in the previous year (€28.6 million). Finished goods and merchandise rose from €48.1 million to €56.5 million, which was due to higher stock volumes as well as commodity prices.

Trade receivables rose by €7.6 million year on year to €64.0 million.

Current and non-current other assets and tax assets totalled €10.7 million (previous year: €5.5 million).

Other financial assets totalled €1.3 million (previous year: €0.7 million).

EQUITY (in €m)



Changes to equity and liabilities

At the end of the reporting period, the Group recorded an increase in equity compared to the previous financial year as well as an expansion in its current and non-current liabilities.

Group equity amounted to €220.7 million (previous year: €202.3 million), a further year-on-year increase. This figure primarily includes annual profit of €24.3 million for 2018 and a dividend payment of €7.2 million in the 2018 financial year. Group equity was diluted by €4.1 million, without affecting profit or loss, by the remeasurement of pension provisions as a result of a lower fair value of plan assets. The Group equity ratio fell slightly from 56 per cent to 55 per cent as a result of the disproportionately large increase in the balance sheet total.

Current and non-current provisions for pensions totalled €106.1 million (previous year: €99.2 million). Pension provisions were up markedly due to the lower fair value of plan assets in conjunction with a slightly higher IAS interest rate of 1.90 per cent (previous year: 1.80 per cent).

At €21.0 million, trade payables were higher than in the previous financial year (€11.1 million). The prior-year figure was lower than was generally the case at the end of previous financial years, as supplier invoices were settled at the end of 2017 – prior to their due date – in preparation for corporate restructuring.

Current and non-current other financial liabilities totalled €2.2 million (previous year: €2.0 million).

Other liabilities stood at €15.7 million in the period under review, i.e. up slightly on the prior-year figure; they were attributable primarily to management and staff bonus payments as well as deferrals/accruals relating to invoices and credit notes yet to be received.

Non-current (€3.4 million) and current (€2.0 million) other provisions were comparable to the figures recorded in the previous financial year.

Investments

Group capital expenditure on property, plant and equipment amounted to €16.9 million (previous year: €15.3 million). This mainly relates to investments in technical equipment as well as operating and office equipment at the production sites in Germany, the United States and Asia. In total, net investments in property, plant and equipment amounted to €3.4 million at Group level (previous year: €2.4 million).

2.5. Financial management and cash flows

Principles and aims of financial management

Safeguarding the financial strength of the SIMONA Group is the primary goal of financial management. In this context, the most important aspect is to meet, to a sufficient degree, the Group's financial requirements relating to its operational business and its investing activities. Financial management is centrally organised within the parent company. To a large extent, SIMONA covers the liquidity required worldwide within the Group by means of intragroup funding via loans or similar arrangements. Additionally, firmly agreed lines of credit are in place. Excess cash resources are invested in the money or capital markets, either in euro or a foreign currency, by applying an approach that is optimised in terms of both risk and returns.

Financing analysis

Non-current financial liabilities relate to KfW loans and fell by €3.4 million to €15.3 million due to scheduled repayments. Current financial liabilities were unchanged at €3.4 million at the end of the reporting period and encompass the short-term proportion of KfW loans.

As in the previous year, no derivative financial instruments were recognised as at 31 December 2017.

At the end of the reporting period the Group had undrawn lines of credit totalling €17.0 million (previous year: €18.6 million).

Cash flows

In the period under review the inflow of cash from operating activities (gross cash flow) was €34.8 million (previous year: €19.2 million). The increase in cash inflow was mainly due, in net terms, to a higher pre-tax profit, an expansion of inventories and an increase in trade receivables. The cash outflow attributable to investing activities was €–39.8 million (previous year: €–13.8 million) and mainly included the acquisition of the new subsidiary in the United States and investments in property, plant and equipment. Net cash used in financing activities was €–10.9 million (previous year: €–11.0 million) and mainly consisted of the scheduled repayment of KfW funds and an outflow in connection with dividend payments.

Cash and cash equivalents

The Group's cash and cash equivalents totalling €52.5 million (previous year: €68.0 million) mainly consist of short-term bank deposits. The year-on-year swing of €–15.5 million (previous year: €–6.7 million) was attributable to net cash from operating activities as well as, primarily, net cash used for the corporate acquisition in the United States, net cash used for investments in property, plant and equipment and net cash used in financing activities. These changes are presented in detail in the statement of cash flows.

Financial obligations

Current obligations included €14.3 million (previous year: €6.7 million) for contracts already awarded in connection with investment projects and €12.1 million (previous year: €14.2 million) in respect of purchase orders for raw materials. Other financial obligations totalling €2.8 million (previous year: €2.8 million) were attributable to operating rental and lease agreements. Of this total, an amount of €0.9 million is due within one year.

Net finance cost

Based on finance income of €1.9 million and finance cost of €3.2 million, net finance cost amounted to €–1.4 million in the period under review (previous year: €–6.7 million). For the first time in the 2018 financial year this includes the result from currency translation (€0.6 million, previous year: €–4.6 million).

2.6 Course of business – SIMONA AG

Preliminary note

Following a resolution passed by the Annual General Meeting of SIMONA Aktiengesellschaft, Kirn, on 8 June 2019, the Semi-Finished Parts production unit was transferred to SIMONA Produktion Kirn GmbH & Co. KG and the Pipes and Fittings production unit to SIMONA Produktion Ringsheim GmbH & Co. KG – in each case at their carrying amounts – on the basis of a separation and transfer agreement dated 11 June 2018 by way of a separation ("Ausgliederung", hive-down) for absorption pursuant to Section 123(3) No. 1 of the German Transformation Act (Umwandlungsgesetz – UmwG) retrospectively as at 1 January 2018. The separation was entered in the commercial register on 1 August 2018.

Due to the separation, comparability with prior-year figures is not possible. In order to ensure comparability, the line item "31 Dec. 2018 before separation" was included in the balance sheet and the line item "2018 before separation" in the income statement. Offsetting effects were eliminated accordingly. Regardless of the actual figures for 2018, we therefore refer to the comparative figures "2018 before separation". Due to the transfer concluded at the end of 2017, SIMONA Immobilien GmbH & Co. KG, Kirn, is no longer included in this figure.

Sales performance at SIMONA AG was influenced mainly by a visible upturn in business within the area of Pipes and Fittings on the one hand and a relatively lacklustre market for Semi-Finished and Finished Parts on the other.

Sales revenue totalled €271.5 million in 2018 (previous year: €268.6 million). This corresponds to revenue growth of 1.1 per cent. Thus, the company came close to meeting its revenue target of €272 million.

Germany
Sales revenue in Germany rose by 4.1 per cent to €97.5 million (previous year: €93.7 million), primarily as a result of solid business within the area of Pipes and Fittings.

Rest of Europe and Africa
The region comprising the Rest of Europe and Africa saw sales revenue decline slightly to €151.6 million (previous year: €152.8 million).

Americas
Revenue from sales in the Americas increased to €6.1 million (previous year: €5.3 million).

Asia & Pacific
The Asia & Pacific region recorded a slight reduction in revenue, down by 2.5 per cent to €16.3 million.

Sales revenue by product area
In the product area comprising Semi-Finished and Finished Parts sales revenue decreased by 1.6 per cent to €188.0 million (previous year: €191.0 million). By contrast, revenue from the product group comprising Pipes and Fittings rose by 5.8 per cent, up from €75.4 million to €79.8 million.

Earnings performance
SIMONA AG earnings declined year on year. Earnings before interest and taxes (EBIT), calculated on the basis of IFRS, totalled €7.7 million (previous year: €9.1 million), while the EBIT margin stood at 2.8 per cent (previous year: 3.4 per cent). Thus, the Group fell short of its EBIT margin target (5 to 6 per cent). EBITDA, calculated on the basis of IFRS, fell from €17.6 million in the previous year to €14.9 million in 2018. The EBITDA margin stood at 5.5 per cent, compared to 6.6 per cent for the same period a year ago (target of 8 to 9 per cent). At 5.1 per cent, ROCE (based on IFRS) remained below the prior-year figure of 6.4 per cent and below the defined target (6 to 7 per cent).

The decline in EBIT and EBITDA is attributable to higher sales expenses and an increase in staff costs. Overall, business performance with regard to revenue and earnings was satisfactory only in part.

Reconciliation from IFRS to HGB of EBIT generated by SIMONA AG is mainly as follows:

in € millions	2018	2017
EBIT under IFRS	**7.7**	**9.1**
Change in inventories	4.0	–1.6
Cost of materials	–11.3	0.9
Staff costs (pensions)	5.5	5.4
Depreciation/amortisation/write-downs of intangible assets and property, plant and equipment	1.4	1.6
Other operating expenses	0.9	3.0
Other changes	1.8	–0.3
EBIT under HGB	**10.0**	**18.3**

2.7 Review of financial position, performance and cash flows of SIMONA AG (HGB)

Earnings performance
Gross profit (sales revenue less cost of materials) amounted to €103.8 million, down by 1.1 per cent year on year. The gross profit margin fell from 39.1 per cent a year ago to 38.2 per cent. The cost of materials rose by 2.5 per cent, driven in particular by higher raw material and energy costs.

Other operating income totalled €3.6 million (previous year: €3.1 million). This figure includes gains of €1.7 million (previous year: €1.4 million) from currency translation.

Personnel expense amounted to €44.5 million, which was up 2.2 per cent on the prior-year figure. While staff costs rose by 3.5 per cent year on year, social security and post-employment benefit costs were lower than in the previous year.

Depreciation, amortisation and write-downs attributable to intangible assets and property, plant and equipment totalled €5.9 million.

Other operating expenses rose from €43.0 million a year ago to €47.2 million in the period under review, an increase of 9.8 per cent. Expenses were higher primarily with regard to rent payable on plant buildings as well as packaging materials. Expenses relating to currency translation amounted to €0.7 million (previous year: €2.2 million).

Interest and similar expenses totalled €5.5 million (previous year: €4.7 million) and consisted primarily of expenses relating to the unwinding of the discount, i.e. interest cost, of pension provisions (€5.2 million, previous year: €4.2 million).

Earnings before interest and taxes (EBIT), calculated on the basis of HGB, totalled €10.0 million in the period under review (previous year: €18.3 million), as a result of which the EBIT margin stood at 3.7 per cent (previous year: 6.8 per cent). The prior-year figure had included a special distribution of €5.0 million from the Czech-based subsidiary SIMONA Plast-Technik. EBITDA amounted to €15.8 million (previous year: €25.1 million). The EBITDA margin stood at 5.8 per cent, compared to 9.4 per cent for the same period a year ago. Profit after taxes totalled €10.4 million. Earnings performance in the financial year under review was dominated in particular by a decline in the gross profit margin due to the higher cost of materials as well as an increase in other operating expenses.

Assets

Total assets attributable to SIMONA AG rose by €9.6 million to €284.3 million.

Non-current assets totalled €156.6 million, up by €20.4 million mainly as a result of loans to finance the acquisition in the United States.

Property, plant and equipment expanded by €2.6 million to €40.6 million. With effect from 1 January 2018, property, plant and equipment at a carrying amount of EUR 30.7 million was transferred in exchange for rights granted in respect of the entities as part of the separation of production.

Interests in affiliated companies remained unchanged year on year.

Loans to affiliated companies, amounting to €42.1 million (previous year: €24.2 million), relate to subsidiaries in the Americas and Asia. The subsidiary in the United States received funds of €22.1 million to finance the US acquisition of PMC in the financial year under review. At the same time, it repaid a loan of €4.6 million.

In total, inventories increased by €1.1 million to €40.3 million. They include raw materials (€14.3 million), work in progress (€0.3 million) and finished goods and merchandise (€25.6 million). Inventories of finished goods and merchandise rose by €0.8 million compared to the previous financial year.

Trade receivables fell by €1.0 million to €22.3 million. At €26.0 million, receivables from affiliated companies – comprising loans and goods deliveries – were up by €4.8 million year on year.

Other assets totalled €6.9 million (previous year: €3.5 million).

In total, receivables and other assets amounted to €56.2 million, up €8.0 million on the prior-year figure (€48.2 million).

Cash and cash equivalents declined by €20.2 million, down from €50.8 million in the previous year to €30.6 million at the end of the 2018 reporting period. The reduction was mainly due to a cash outflow in connection with a loan granted to the US subsidiary in order to finance the acquisition in the United States, the extinguishment of KfW loans and the payment of dividends.

Equity and liabilities

SIMONA AG's equity rose by €3.1 million year on year to €185.2 million. At 65 per cent, the equity ratio was slightly down on last year's figure (66 per cent). This was attributable primarily to the year-on-year decline in annual profit and higher borrowings.

SIMONA AG pursues a policy of consistent dividend payments based on the performance of Group profit calculated in accordance with IFRS and an average dividend ratio that is stable over the long term. As in the past, the dividend payout is to be funded from free cash flow.

Provisions amounted to €59.2 million (previous year: €57.5 million). In total, allocations to provisions for pensions were increased by €1.0 million compared to the previous year and stood at €48.2 million at the end of the reporting period. The discount rate fell to 3.21 per cent (previous year: 3.68 per cent). Other provisions totalled €10.8 million (previous year: €9.6 million).

Total liabilities increased by €4.8 million to €39.8 million.

Trade payables totalled €10.8 million (previous year: €3.5 million). The prior-year figure was lower than at the end of previous financial years, as supplier invoices were settled at the end of 2017 – prior to their due date – in preparation for corporate restructuring. Liabilities towards affiliated companies amounted to €6.9 million, i.e. slightly up on the prior-year figure. They relate mainly to goods deliveries from the subsidiary in the Czech Republic.

Bank borrowings totalled €18.7 million (previous year: €22.1 million) and were attributable to long-term KfW loans. Under the terms of the contract, a total of €3.4 million was repaid during the financial year under review. At the end of the period under review, as in the previous year, no funds had been drawn from the short-term global credit facility.

The KfW loans are subject to fixed interest rates, with quarterly debt repayments scheduled under the terms of the agreement. The funds are used to finance long-term innovation programmes in Germany. The global credit facility is subject to interest on the basis of EONIA (Euro OverNight Index Average) plus a fixed premium calculated on an arm's length basis; these borrowings can be denominated in euros or a foreign currency.

At the end of the reporting period, SIMONA AG had undrawn borrowing facilities of €16.0 million.

Investments

Capital expenditure relating to property, plant and equipment at SIMONA AG amounted to €8.1 million in the period under review (previous year: €7.1 million). They mainly relate to investments in operating and office equipment at the company sites in Germany. In total, net investments (additions less write-downs) amounted to €2.6 million (previous year: €0.7 million).

Obligations from investment projects already initiated amounted to €11.7 million, while those attributable to raw material orders were 4.4 million; they are financed from operating cash flow.

Analysis of liquidity

Cash and cash equivalents held by SIMONA AG at the end of the reporting period totalled €30.6 million (previous year: €50.8 million), comprising bank deposits denominated in euro and foreign currencies. The reduction is attributable mainly to cash outflows in connection with financing activities (loan granted to US subsidiary in order to finance the US acquisition, repayment of loans and dividend payment).

2.8 Non-financial indicators

Customer satisfaction

SIMONA measures customer satisfaction as part of pan-European surveys. Additionally, customers and target groups are surveyed in key markets outside of Europe, such as China and the United States.

The last extensive customer satisfaction survey in Europe was conducted in 2017. The findings of this survey showed that overall customer satisfaction (86.1 per cent) and the rate of recommendation (87.4 per cent) were again high. Thus, the levels recorded as part of previous customer surveys were matched. Compared to the last survey, SIMONA achieved better grades for its service offering in all product categories, e.g. sales admin and field sales, order processing, delivery/dispatch and applications engineering advice. Customers saw room for further improvement with regard to some aspects of SIMONA's training programmes, its website and complaints handling.

Employees

As at 31 December 2018, the SIMONA Group employed 1,413 people (previous year: 1,289). The headcount was up in the United States in particular, which was due to the acquisition of PMC as well as new hires at Boltaron and SIMONA AMERICA. Staffing levels in Germany were also higher. The number of people employed in the Rest of Europe remained largely unchanged year on year.

At 805, the headcount at SIMONA AG was up on the prior-year figure (31 Dec. 2017: 778). The 2018 headcount relating to SIMONA AG includes the employees of the newly established production companies in Kirn and Ringsheim.

The number of vocational trainees rose significantly in 2018. In total, 56 (previous year: 45) young people (as at December 2018) were enrolled in vocational programmes relating to one of eleven technical and commercial training courses offered by SIMONA. In 2018, ten young people were enrolled in an integrated/dual work-study degree course supported by SIMONA or sponsored training to become a state-certified technician or to receive a Bachelor's degree.

Staff advancement programmes focused on training for machine fitters, business development and product management. In addition, employees were trained at the Kirn and Ringsheim sites, with a focus on business English courses. In 2018, an assessment centre was organised for the third generation of staff members assigned to the Talent Promotion Circle (TPC). The SIMONA TPC prepares high potentials for professional and managerial roles as part of a modular, two-year training programme. This year's programme includes employees from Europe, the USA and Asia. The one-to-one meetings introduced uniformly for all salaried employees for the purpose of discussing personal targets will be expanded – after a test phase – in some parts of production for industrial employees based at the Kirn headquarters. As part of its corporate health management activities, SIMONA held health days at its Kirn site and introduced a free fruit service. The company also offers an allowance for fitness centres. For many years now, SIMONA has been offering its employees the opportunity to work from their home offices. In 2018, this was regulated uniformly in a company agreement. SIMONA is actively using this instrument to enhance its attractiveness as an employer. SIMONA does not rely solely on home-office-based workplaces. Instead, it is of the opinion that regular dialogue at the workplace, combined with flexible and occasional home office opportunities, is the best way of reconciling work and family life, while at the same time meeting job requirements. As regards the construction and conversion of the administration building in Kirn, the requirements were defined on the basis of expected trends relating to future workflow. This included employee input as well as feasibility studies for various options.

Quality

The goal of SIMONA's quality management system is to maintain and optimise product and process quality on a continual and sustainable basis. In this context, meeting the requirements of DIN EN ISO 9001 and the Pressure Equipment Directive 97/23/EC is an essential prerequisite, and full compliance with these standards was again confirmed by independent surveillance audits conducted in 2018. SIMONA conducted interdisciplinary quality circle meetings and product audits in the period under review, as well as taking part in various sampling and approval procedures for existing and newly launched projects relating to the automotive supply industry. As was the case in previous years, the Pipes and Fittings division saw a number of specific product accreditations in response to 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 system as well as the exceptionally high quality of our products and processes.

Information technology

As regards IT infrastructure, the focus in 2018 was on further improving IT security, particularly in respect of components with direct access to the internet. In order to be able to act proactively on the one hand and respond quickly to an attack on the other hand, a software application was implemented that enables the automated monitoring of all selected end devices. In addition, two branches in the United States were connected to the SIMONA network in order to simplify the exchange of information and enable central IT administration. Many clients were converted to so-called thin clients in the course of 2018, which enables cost-effective and simplified user administration.

The emphasis of IT applications development in the financial year under review was again on the conversion of operational business processes at the SIMONA sites in Germany as part of the organisational separation of production units from administration, sales and logistics. At the end of the year, the SAP system was converted to the latest release worldwide. The preparatory measures as well as the changeover at the turn of the year were supervised, coordinated and carried out by the two divisions.

3. REPORT ON OPPORTUNITIES AND RISKS

The slowdown in the global economy will have an impact on the performance of industries and business areas targeted by SIMONA, particularly if investment spending continues to decline. This applies primarily to the export-driven sectors of chemicals and mechanical engineering. By contrast, the construction sector (in Germany) and the aviation market remain very robust.

In this more challenging economic climate, opportunities may arise from the sustained buoyancy in demand for plastics with customised properties as well as an expansion of the range of materials offered. SIMONA's strategy is aimed at continuously evolving product characteristics from a technological perspective by leveraging its in-house R&D capabilities, in addition to introducing a wider range of materials, e.g. FEP in the area of high-performance plastics.

In Europe, SIMONA sees opportunities in new fields of application, e.g. within the energy supply and construction sectors. With this in mind, the Pipes and Fittings division was repositioned in strategic terms and investments were made in this area. In the United States, the subsidiary Boltaron can benefit from sustained growth in the market for aircraft interiors. In the area of industrial products, the acquisition of SIMONA PMC with its specialised product portfolio for thermoforming applications provides customers with a more extensive range of products. At the same time, the Group can further strengthen its market position. In the region covering Asia-Pacific, SIMONA sees good opportunities with regard to key technologies centred around semiconductors, environmental management and chemical processes.

Overall, SIMONA believes the potential for unlocking opportunities remains good. Compared to the previous year, however, SIMONA's business prospects are considered to be slightly weaker. Given the visible downturn in most of the economies around the globe, the short-term economic fundamentals have deteriorated. At the same time, the medium-term structural indicators – particularly with regard to investment spending in the industrial sector, which is considered to be of key importance to the company – have also deteriorated slightly.

Risk management system

In view of their global business activities, both SIMONA AG and the SIMONA Group are exposed to a wide range of risks. In this context, risk is defined as an event, an action and/or the failure to act with the potential for adverse effects on the company. Risk strategy is an integral part of the corporate strategy of SIMONA and coexists alongside the business strategy. The risk culture of SIMONA is characterised by risk awareness in respect of decision-making processes and embraces the principles of diligent action based on prudence. In identifying opportunities at an early stage and applying diligence with regard to the exposure to corporate or business risks, SIMONA endeavours to safeguard its existence as a going concern and protect its enterprise value. Risk controlling is aimed at avoiding, mitigating or transferring risks. All remaining risks are managed accordingly by SIMONA. Risks are communicated as part of half-yearly risk reports to the Management Board and the Supervisory Board.

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. They are revised regularly to account for the latest external and internal developments.

As regards financial reporting and the accounting 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:

- 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

On the basis of a risk map, the risk management system of SIMONA controls the following material risks associated with the Group. The management of opportunities and risks is centred around the aspects of effect and probability of occurrence. Significant individual risks are considered to be those displaying a medium risk profile with an expected value in excess of €5.0 million when viewed over the medium term. The expected value is computed as the product of the effect/impact and the probability of occurrence; it is used solely for prioritising and focusing risk reporting on issues of material importance. A probability of occurrence of over 50 per cent is considered high, while one of less than 50 per cent is deemed low.

SIMONA considers the following individual risks to be material:
- Market environment and sector-specific risks
- Business strategy risks
- Financial risks
- Risks attributable to procurement and purchasing
- Production risks
- Risks attributable to information technology

Market environment and sector-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, political conflicts and the availability of raw materials. Among the primary sector-specific risks are the substitution of plastics with other materials, new developments within the competitive environment, the loss of key customers and changes to customer requirements. A diversified product portfolio, thorough monitoring of markets and structured procurement management provide the basis for risk mitigation. Further expansion of production in the United States following the recent corporate acquisition and at the plants located in China and the Czech Republic will ensure a high degree of flexibility and will help to meet customer requirements in close proximity to their sites of operation and in a market-driven manner.

The company is exposed to significant geopolitical risks. Within the segment covering Europe, risks relating to the business environment and industry are dominated by uncertainty over the outcome of Brexit, the smouldering trade war with the United States and negative developments in Italy and France. In the Americas, meanwhile, risk exposure is being influenced by protectionist trade policies as well as by the fundamental political stance assumed by the United States and the direction taken by the US dollar exchange rate. In the segment covering Asia and Pacific, risk is more pronounced due to the weak performance of China's economy in the wake of the trade conflict with the United States. As regards the aspect of changes to sales markets, the expected value for a decline in revenue, in the medium term, has been determined as being approx. €5.0 to 10.0 million with a probability of occurrence of under 50 per cent at present. Overall, the probability of adverse effects occurring from exposure to sector-specific risks is at present considered low.

Business strategy risks
These encompass the risk of misjudgements with regard to the future direction taken by the market. Measures aimed at risk prevention mainly include close monitoring of the market and competitive environment as well as regular strategy meetings with key accounts and between the company's senior management and sales organisation. The probability of adverse effects occurring from exposure to business strategy risks is at present not considered to be material.

Financial risks
These encompass, above all, currency risks, default risks including risks associated with voidability of insolvency, product liability risks, risks of a change in interest rates and risks associated with the company pension scheme.

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 individual risks as required by means of derivative financial instruments and non-derivative hedging instruments.

Dependence on the euro within the Group was scaled back further through the corporate acquisition of PMC in 2018 as well as the continued expansion of production and the company's market position in the United States. At the same time, currency risk relating to US dollar transactions remains high for SIMONA. In the medium term, the probability of occurrence of a dilutive or accretive effect on earnings equivalent to €3.0 to 6.0 million is estimated at over 50 per cent. In 2018, the global economy expanded at a less pronounced rate than originally anticipated and 2019 is also expected to see a downturn in growth. Therefore the business-related risks of a slowdown in economic performance and, in turn, a dip in investment spending within the industrial sector have increased considerably.

The risk of bad debt losses remains high in particular within the Southern and Eastern European market. Within this context, thorough assessments of credit ratings and continuous monitoring within this area help to mitigate risk as a whole as well as risk associated with individually identifiable items. As regards transactions in Russia, a separate directive for the conclusion of business agreements relating to this country is in place for the purpose of limiting associated risks. Default-related risk associated with specific customers is limited by credit insurance and the cut-off of deliveries in the case of outstanding payments. Additionally, risks exist with regard to voidability of insolvency. 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 associated with interest rate changes are currently considered to be elevated. Interest payable in connection with KfW loans is based on fixed interest rates. Therefore, there are no risks associated with interest rate changes in this area. The overdraft facility of SIMONA AG, with its floating interest rate calculated on the basis of EONIA (euro overnight index average), is not being utilised at present.

The risks associated with occupational pension schemes are considered to be significant and the probability of their occurrence is deemed to be high. Risks that are difficult to gauge in the long term, such as future levels of pay and pensions as well as risks relating to higher life expectancy, have been categorised as material. They also include risks or encumbrances that are difficult to predict with regard to liquidity and equity, risks associated with investments and volatility of plan assets as well as fluctuating costs in respect of contributions to the German Pensionssicherungsverein. The volatility of plan assets is estimated at around €3 to 10 million, which is attributable primarily to the share performance of SIMONA AG stock in recent years. At the end of the financial year, plan assets were €3.5 million lower due to the decline in the price of SIMONA AG shares.

Risks attributable to procurement and purchasing
As was the case in the previous year, these risks are related primarily to potential disruptions or outages with regard to suppliers of raw materials and additives as well as volatile commodity price trends. The direction taken by oil prices does not necessarily coincide with price trends for input commodities (naphtha, propylene and ethylene) that are of relevance to raw materials used by the company. Instead, market prices tend to be influenced by demand and supply factors. Commodity prices continued to spiral over the course of 2018, before trending slightly lower towards the end of the year. We anticipate that the supply of raw materials and additives will remain stable in 2019. In the medium to long term, raw material prices are expected to remain stable.

Production risks
Production risks include in particular product quality, capacity utilisation, production or machine downtime and energy supply. The probability of adverse effects occurring from exposure to production risks is at present not considered to be material.

Risks attributable to information technology
Ongoing monitoring and optimisation of existing information technology is essential to the safety and reliability of business processes. With this in mind, refinements to measures already implemented within the area of information security are considered particularly important. The primary risks involved relate to the availability, reliability and efficiency of information technology systems, including a failure of the IT infrastructure, loss of data and attacks on IT systems. SIMONA addresses risks relating to information technology through its in-house IT department as well as by commissioning specialised companies and making regular investments in the latest hardware and software. SIMONA responds to growing demands placed on system protection as part of its safety management programme. This mainly includes investments in the latest firewall and antivirus systems as well as other software systems. The probability of occurrence of external attacks on IT systems, in particular, has increased further.

At the end of the 2018 financial year, we are of the opinion that the overall risk situation for the Group remains largely unchanged from that of the previous year. At the time of preparing this report, there were no identifiable risks that might jeopardise the existence of the SIMONA Group and SIMONA AG as a going concern.

Internal control system (ICS) relating to financial reporting – Report pursuant to Section 289(4) and Section 315(4) HGB
The internal control system relating to financial reporting, which implements specific controls with regard to the financial reporting process, is aimed at providing reasonable assurance that annual financial statements and consolidated financial statements can be prepared in accordance with statutory requirements despite possible risks.

The ICS encompasses accounting-related processes and controls that are of significance to the preparation of the consolidated financial statements. In this context, the SIMONA Group observes the relevant publications issued by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer – IDW). There were no significant changes to the accounting-related ICS in the period between the end of the reporting period and the preparation of the management report.

Bookkeeping and financial statement preparation are performed primarily at a decentralised level in accordance with local standards. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). In this context, SIMONA applies a uniform system of accounts within the Group and an accounting manual. The parent company assists the respective entities with regard to issues relating to financial reporting and coordinates the process of Group financial reporting. All entities included within the consolidated group have been integrated within this system by means of clearly defined management and reporting structures. The inclusion of subsidiaries is managed with the help of standardised reporting packages and a system certified in accordance with IDW PS 880. Consolidation is performed as a multi-stage process at the level of subsidiaries, segments and the Group.

The plausibility of numerical data is safeguarded at all levels by means of system-specific validation and through manual controls. Clearly defined areas of responsibility and access policies in respect of IT systems of relevance to the preparation of financial statements form an integral part of this process. Fundamental control policies applicable to the annual and consolidated financial statements include the separation of duties, the principle of four eyes and approval and release procedures for the process of financial statement preparation. Overall responsibility for the accounting-related internal control systems rests with the Management Board.

4. REPORT ON EXPECTED DEVELOPMENTS

Economic conditions

The International Monetary Fund (IMF) has revised downwards its outlook for the global economy. Given the sluggish performance in the fourth quarter of 2018 and the negative effects of higher tariffs in the United States, compounded by the risk of escalating trade wars, the tightening financial leeway in some economies and the prospect of a no-deal Brexit, the IMF's January outlook predicts global economic growth of 3.5 per cent, 0.2 percentage points down on October 2018. Other renowned institutes have recently further reduced their forecasts for global economic growth to 3 per cent at the most.

The majority of the world's established economies are predicted to grow at a reduced rate. As regards the eurozone, the IMF has forecast growth of 1.6 per cent. The IMF has revised its forecast downwards for Germany and Italy in particular. As regards Germany, the IMF expects growth of 1.3 per cent (0.6 percentage points down on October 2018) and 0.6 percent (0.4 percentage points down) for Italy. The USA (2.5 per cent) and China (6.2 per cent) are also expected to grow at a weaker rate than in 2018.

After a very weak December, the chemical industry is pessimistic about 2019. The industry association VCI anticipates a decline in production output of 2.5 per cent. Against the backdrop of a more sluggish global economy and political challenges such as trade disputes and Brexit, the general outlook has become bleaker. As for the machinery and plant engineering sector, Germany's engineering federation, the VDMA, has reaffirmed its forecast of production growth of 2 per cent, despite downside pressure on the economy.

The German Construction Industry Association expects construction activity to continue growing at a high level in 2019 and has predicted nominal revenue growth in the construction industry of 6 per cent (all companies).

Sector-specific conditions

Despite increasingly difficult economic conditions, the GKV industry association anticipates growth of 2 per cent in the plastics processing industry in Germany. The plastics industry in the German-speaking region is already noticing the first signs of an economic slowdown. The survey regularly conducted by the GKV points to a relatively unfavourable industry performance in 2019. 29 per cent of the companies surveyed anticipate an improvement in business during the first half of the year, while 23 per cent believe business will decline. Companies are anxious about the direction taken by global economic policy as well as Brexit and US protectionism. 62 per cent of all companies anticipate that the trade stance taken by the US administration will have adverse effects on business. 49 per cent of the companies surveyed believe that Brexit will be detrimental to their own business performance.

Future performance of the Group

SIMONA anticipates that Group revenue for the 2019 financial year will be between €435 and 450 million, while the EBIT margin is expected to be between 6 and 8 per cent and the EBITDA margin between 10 to 12 per cent. At Group level, the return on capital employed (ROCE) in 2019 is expected to be between 8 and 10 per cent.

The planned increase in revenue is based primarily on the fact that the recently acquired entity SIMONA PMC will be consolidated over a full annual period for the very first time. Additionally, the market for aircraft interiors is expected to remain buoyant in the United States and the Pipes and Fittings business in Europe is forecast to grow following the Group's strategic repositioning in this area.

The company's ability to achieve its earnings targets will depend primarily on how the increasingly sluggish world economy develops. Against this backdrop, profit margins may come under greater pressure. Additionally, the attainment of earnings targets will depend on whether projected growth in the aviation market and in the area of pipes and fittings will materialise as planned.

Non-financial indicators

Customer satisfaction

SIMONA is confident that it can maintain customer satisfaction at the present level thanks to the strengthening of its technical capabilities as well as its focus on new market segments and the core market of industrial products.

Quality

As part of our quality management measures, we have set ourselves the same ambitious targets for product quality as in the previous year and assume that we will be able to reach this level.

Employees

The number of employees within the SIMONA Group is likely to remain stable in 2019. Based on the apprenticeship contracts already concluded, the headcount of vocational trainees is expected to be similar to that seen in preceding year.

Future performance of SIMONA AG

For the financial year 2019, SIMONA has set a guidance target of €278 million in sales revenue, together with an EBIT margin of between 3 and 3.5 per cent and an EBITDA margin of between 3.5 and 4 per cent, each calculated on the basis of IFRS. The return on capital employed (ROCE) in 2019 is expected to be between 9 and 10 per cent.

The sales region of Germany is to generate slight growth through the continued expansion of business in the industrial sector. The goal for the region encompassing the Rest of Europe and Africa is to achieve a significant increase in revenue. The region covering the Americas and the region encompassing Asia and Pacific are expected to remain stable year on year.

5. OTHER INFORMATION

5.1 Corporate governance statement

The corporate governance statement pursuant to Section 289f of the German Commercial Code (Handelsgesetzbuch – HGB) has been published by SIMONA AG on its corporate website at www.simona.de.

5.2 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 the Supervisory Board Chairman Dr. Rolf Goessler as well as the Supervisory Board members Roland Frobel and Dr. Roland Reber. 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. The fixed component of compensation is paid as a salary on a monthly basis. The variable component of compensation is reviewed annually, while the fixed component is assessed once every two years. 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 variable component of Management Board compensation is based on earnings performance within the Group and a long-term incentive programme. As regards the performance periods 2015 to 2017, average Group NOPAT (net operating profit after tax) is used as the key performance indicator, calculated on the basis of a three-year performance period. The first performance period encompasses the financial years 2015 to 2017, the second performance period comprises the financial years 2016 to 2018 and the third performance period covers the financial years from 2017 to 2019. Payment occurs subsequent to the adoption of the consolidated financial statements for the final year of the respective performance period. In the financial year under review Management Board compensation included the following components:

COMPOSITION OF MANAGEMENT BOARD COMPENSATION

in € '000	2018	2017
Fixed compensation		
Fixed salary and fringe benefits	890	924
Variable compensation		
Annual bonus	1,064	1,030
Long-term incentive programme		
Period 2015–2017, payment 2018	–	620
Period 2016–2018, payment 2019	600	–
Total compensation	**2,554**	**2,574**

On 10 June 2016, the Annual General Meeting of Shareholders of SIMONA AG agreed by a majority of three-quarters to disclose Management Board compensation in an aggregated format, divided into fixed and performance-related components, rather than disclosing each amount by name. The resolution is valid up to and including the 2020 financial year. Therefore, no individual, i.e. itemised, disclosures are made under Section 285 no. 9 a) sentence 5 to 8 and Section 314(1) no. 6 a) sentence 5 to 8 of the German Commercial Code (Handelsgesetzbuch – HGB).

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 amounts to €301 thousand (previous year: €420 thousand). Pension provisions for active and former members of the Management Board, as governed by the German Commercial Code, were recognised to the full extent and amounted to €12,478 thousand as at 31 December 2018 (previous year: €11,863 thousand). IFRS-based pension provisions for active and former members of the Management Board were recognised to the full extent and amounted to €15,846 thousand as at 31 December 2018 (previous year: €16,595 thousand).

The members of the Management Board also receive fringe benefits in the form of non-cash remuneration, which mainly consists of a company car, telephone and insurance policies. Members of the Management Board received neither loans or share options nor other share-based compensation from the company.

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 of SIMONA AG receive a standard fixed level of compensation amounting to €13,000. 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 fixed compensation of €7,000. All expenses associated directly with a position on the Supervisory Board, as well as sales tax payable on such compensation, are reimbursed.

In addition to fixed compensation, the General Meeting of Shareholders 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 8 June 2018 no such resolution for variable compensation components was passed for the 2018 financial year.

Supervisory Board compensation for the financial year under review amounted to €162 thousand (previous year: €167 thousand), of which €140 thousand (previous year: €140 thousand) was attributable to SIMONA AG. Members of the Supervisory Board received neither loans or share options nor other share-based compensation from the company.

5.3 Disclosures pursuant to Section 289a and Section 315a HGB and explanatory report

As at 31 December 2018, the share capital of SIMONA AG remained unchanged at €15,500,000, divided into 600,000 no-par-value bearer shares ("Stückaktien" governed by German law). The shares are traded in the General Standard of the German stock exchange in Frankfurt as well as on the Berlin securities exchange. 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.

A 31.19 per cent interest was held by Dr. Wolfgang und Anita Bürkle Stiftung, Kirn, a 15.04 per cent interest by Kreissparkasse Biberach (Biberach), an 11.64 per cent interest by Dirk Möller (Kirn), an 11.25 per cent interest by Regine Tegtmeyer (Nebel), a 10.0 per cent interest by SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH (Kirn) and a 10.10 per cent interest by Rossmann Beteiligungs GmbH (Burgwedel). The remaining 10.78 per cent of shares in the company were in free float.

As at 8 June 2018, members of the Management Board reported a total holding of 70,826 shares; this corresponds to 11.80 per cent of the share capital of SIMONA AG. The members of the Supervisory Board reported holdings of 1,300 shares as at the attendance date of the Annual General Meeting on 8 June 2018, which corresponds to 0.22 per cent of share capital of SIMONA AG.

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 shall generally have a Chairperson appointed by the Supervisory Board.

The Supervisory Board may delegate decisions on the conclusion, amendment and termination of Management Board employment contracts to a Supervisory Board committee. 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.

6. Non-financial statement in accordance with Section 289 b)-e) HGB

Brief description of business model

The SIMONA Group develops, manufactures and markets a range of semi-finished thermoplastics, pipes and fittings as well as finished parts and profiles. The materials used include polyethylene (PE), polypropylene (PP), polyvinyl chloride (PVC), polyethylene terephthalate (PETG), polyvinylidene fluoride (PVDF), ethylene-chlorotrifluoroethylene (E-CTFE), perfluoroalkoxy (PFA), thermoplastic olefins (TPO), acrylonitrile butadiene styrene (ABS) and 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 parts are deployed mainly within the area of chemical tank and equipment construction, mechanical engineering, the transport industry, the construction sector, the exhibition and display sector as well as the automobile and aerospace industry. Pipes and fittings are used primarily for drinking-water supply, sewage disposal and industrial piping systems, including the chemical process industry. Finished parts and profiles are destined in particular for the mechanical engineering and transport technology sectors.

As a company, SIMONA is aware of its responsibilities towards people and the environment. Environmental, social and energy issues are key factors for SIMONA.

Environmental issues

A certified environmental management system in accordance with the requirements of DIN EN ISO 14001 forms part of the company's central policies. This international standard for environmental management systems is designed to give certified companies a framework for protecting the environment and responding to changing circumstances in compliance with socio-economic requirements. The systematic approach promoted by the standard furnishes information that fosters success in the long term and opens up opportunities that contribute to sustainable development.

SIMONA has adopted an environmental management system at its sites in Kirn and Ringsheim in Germany and Litvinov in the Czech Republic and ensures compliance with its requirements through surveillance and recertification audits.

Material risks associated with SIMONA's business activities that could be very likely to have a serious negative impact on the environment relate to the contamination of the soil, air or bodies of water as a result of accidents, fires or the discharge of production waste.

SIMONA manages its fire risk through preventive fire protection measures: regular maintenance for its extinguishers, inspections conducted with the insurer and fire service, a dedicated set of fire protection regulations and annual staff briefings. Accident-related risk is managed with regular checks and maintenance of plant and equipment, structural measures such as retention basins, collecting pans and sealed floors and by storing hazardous substances in compliance with the law. SIMONA follows fixed emergency plans in the event of an accident, carries out weekly, semi-annual and annual maintenance and tests the leak-tightness of its oil separators every five years. Test and inspection intervals are complied with and emissions are measured regularly. SIMONA disposes of waste that cannot be returned to the production cycle in accordance with the provisions of the German Circular Economy Act (Kreislaufwirtschaftsgesetz). Waste is mainly recycled in-house or passed on to external recycling firms. All waste disposal companies used have been certified and are authorised in accordance with the relevant statutory provisions. Staff receive regular training on preventing, recycling and disposing of waste. Reducing waste as a percentage of production volume is one of the company's key objectives.

Material risks that are associated with the corporation's business relationships, products and services and that could be very likely to have a serious negative impact on the environment relate to the environmental footprint of the raw materials that SIMONA uses, the disposal/recycling of waste at customers' premises and non-conformance with product properties in environmentally critical and safety-related applications.

SIMONA manages risks associated with the environmental footprint of the raw materials it uses by carefully selecting resource suppliers based on the certifications they have obtained (origin, observing blacklists), substituting hazardous substances right from the research and development stage and complying with applicable legislation governing the use of hazardous substances. SIMONA provides its customers with regular updates on the correct ways to use, recycle and dispose of its products and the waste that is generated when these products are processed further. Product characteristics, key data and safe storage and processing instructions are listed in material and safety data sheets for each product, which are available online. The risk of non-conformance with product properties is managed with a dedicated quality assurance system, which sets out testing and inspection plans for all products. Additionally, durable SIMONA products help to deliver effective solutions in response to market challenges, e.g. with regard to environmental engineering and utilities. SIMONA is an active member of VinylPlus, an organisation that focuses on improving sustainability within the PVC supply chain. In addition, the company is a co-initiator and holder of the PVC quality mark issued by Industrieverband Halbzeuge und Konsumprodukte aus Kunststoff e. V. (pro-K). Those entitled to use the mark have committed themselves to specific quality standards, in addition to delivering the best possible manufacturing expertise and a premium-quality service.

Energy issues

A certified energy management system in accordance with the requirements of DIN EN ISO 50001 forms part of the company's central policies. This international standard for energy management system is designed to help certified companies to develop systems and processes to become more energy-efficient. Adopting a systematic approach in order to introduce, implement, maintain and improve an energy management system is intended to enable companies to continuously improve their performance as regards energy management, energy efficiency and energy saving. The standard sets out requirements governing the supply, use and consumption of energy, including measurement, documentation and reporting as well as practical design and procurement rules for facilities, systems, processes and personnel that consume energy.

SIMONA has adopted an energy management system at its sites in Kirn and Ringsheim in Germany and Litvinov in the Czech Republic and ensures compliance with its requirements through surveillance and recertification audits. In 2018, the energy management system was successfully recertified to the relevant standards (ISO 50001:2011 (ISO 50003)).

Material risks associated with SIMONA's business activities that could be very likely to have a serious negative impact on energy issues relate to the consumption of resources and the production of emissions.

SIMONA manages these risks with measures designed to improve energy efficiency and reduce emissions. The company assesses its energy consumption and efficiency by means of energy performance indicators (ENPIs), which compare consumption data with the relevant production volumes. Key objectives in the field of energy management are increasing energy efficiency and cutting its consumption.

Personnel matters

The company's employees are a key pillar of its success. This is enshrined on several levels in our Code of Conduct, which applies equally to employees, line managers and senior executives at all SIMONA companies.

For instance, the company has made health and safety at work a priority and has introduced a "Vision Zero" (referring to the number of occupational accidents) action plan. This is a multi-year concept for the sustainable reduction of occupational accidents, consisting of an extensive range of individual measures. The execution of these measures was also defined as a target in the Balanced Scorecard for the European sites. All occupational accidents are logged in reports by the health and safety officers appointed by the company before their causes are analysed and preventive action is determined based on this analysis. SIMONA AG has also set up a healthcare team geared towards keeping staff healthy through various campaigns (e.g. free supply of fruit, allowance for gym membership, Health Days).

A keen supporter of diversity and equal opportunities for all its employees, SIMONA had, upon introduction of statutory regulations governing such target figures, set itself the target in 2015 of appointing female executives to 20 per cent of positions at the level below the SIMONA AG Management Board. As this target was met at the first scheduled date of review, a new target of 25 per cent was set in 2018.

SIMONA AG invests in bringing on suitable young talent and regularly participates in joint projects with schools and universities (school mentoring schemes, MINT programme). As well as training, applicants who fit the criteria can look forward to a dual-degree course, subsidised training to fit around their existing work commitments (part-time degree) or a placement at one of the foreign sites run by our subsidiaries. SIMONA AG maintains partnerships with the universities in Ludwigshafen, Darmstadt and Mainz in order to offer these part-time degrees.

SIMONA regularly seeks its employees' opinions in anonymous staff surveys and uses the results to devise tangible measures to improve staff satisfaction. To a large extent, the SIMONA companies located in Kirn have already implemented performance appraisals or plan to introduce them fully in 2019. In the commercial area they are, in part, already organised on the basis of a skills matrix. This set-up allows every employee to be shown the requirements of their position and the extent to which they themselves are meeting these requirements. Training needs are determined based on these annual PDRs. Feedback from training courses attended are evaluated systematically.

Within the SIMONA companies, the flow of information to staff is guaranteed by the SIMONA intranet, a noticeboard system, departmental get-togethers and regular shift training and company meetings.

SIMONA recognises the right of all its employees to be represented on, in and by trade unions and to form staff committees. There are long-established employee representatives at the German sites: at the Kirn site the workforce is also represented by the IGBCE.

Material risks to which we could be exposed by neglecting personnel matters relate to a loss of staff – and thus their expertise and potential trade secrets – to the competition. A "brain drain" of this kind can also mean a fall in quality, which could have financial implications in the form of higher warranty claims and the loss of customers. Last but not least, high rates of sickness absence have a negative impact on site productivity. We are also facing the challenges of demographic change, which for us brings risks associated with capacity and an ageing population.

SIMONA has not yet assessed to what extent it complies with the underlying International Labour Organisation agreements as regards its measures and policies on personnel matters.

Human rights

SIMONA is committed to upholding internationally recognised human rights and, in its Code of Conduct, has imposed a binding obligation on itself and its staff to safeguard these rights. In so doing, we are supporting international diversity, advocating equal opportunities and demanding mutual respect from our employees. Factors that are a potential source of discrimination such as gender, background, religion or sexual orientation are not considered when the company makes decisions. We wholeheartedly reject any form of forced or child labour and expect our business partners to do the same. We are continuously developing our approach. Breaches of the basic principles laid down in our Code of Conduct can be reported to the Compliance Officer and will be punished severely.

Combating bribery and corruption

Without exception or restriction, SIMONA undertakes not to give any illegal gratuities to its staff, advisors, commercial representatives, agents or similar third parties or to receive any such gratuities. SIMONA has issued policies for avoiding bribery and corruption in respect of various areas and everyday situations with which its employees could be confronted. Breaches will be punished severely.

Under some circumstances, breaches of the ban and related policies can be serious offences that can cause the company financial damage as well as significant damage to its reputation. They will also give many of our contractual partners grounds to terminate their cooperation. Finally, they can also lead to the company being excluded from bidding for public tenders in Germany and abroad.

Spotting risks early is a key criterion in preventing compliance breaches. The specific compliance risks to which SIMONA is exposed are determined, analysed and updated systematically in an annual process. Appropriate preventive measures are formulated and introduced as and when new risks emerge.

Checks as to whether the subsidiaries are complying with the regulations on preventing bribery and corruption are performed by means of regular site audits, including inspecting accounts and cash holdings.

SIMONA has appointed a Compliance Officer to ensure the effective implementation of its compliance system. SIMONA allows both staff and external third parties to report breaches of the ban on bribery and corruption to the Compliance Officer anonymously.

Rather than following or being based on any national or international standards, the company's system for combating bribery and corruption is structured in line with the individual requirements and risk situation within the organisation.

Social matters

As a company, SIMONA bears responsibility for the development and appeal of the cities and communities where it is based and takes social matters into account. It is committed to supporting social, cultural and aid projects at its various sites across the world. The due diligence processes implemented as part of this philosophy lay down responsibilities and workflows for selecting the institutions, projects and initiatives to be supported and how much support each is to receive. At the Kirn site, support is also provided by the Dr. Wolfgang und Anita Bürkle Stiftung, SIMONA AG's major shareholder. The foundation focuses on promoting education and healthcare, endangered species and animals in general, art and culture, development aid funding and charitable causes relating to social welfare facilities.

Forward-looking statements and forecasts

This combined 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.

Responsibility Statement

We hereby declare that, to the best of our knowledge, the combined management report includes a fair review of the development and performance of the business and the position of the SIMONA Group and SIMONA AG, together with a description of the principal opportunities and risks associated with the expected development of the Group and SIMONA AG.

Kirn, 29 March 2019
SIMONA Aktiengesellschaft
The Management Board

Wolfgang Moyses   Dirk Möller   Dr. Jochen Hauck

Consolidated Financial Statements of SIMONA AG for the Financial Year 2018

GROUP FINANCIAL STATEMENTS

OTHER DETAILS

Group Income Statement
of SIMONA AG for the Financial Year 2018

in € '000	Notes	01/01–31/12/2018	01/01–31/12/2017*
Revenue	[7]	417,916	394,145
Other income	[8]	4,879	4,315
Changes in inventories of finished goods and work in progress		7,269	7,199
Cost of materials	[9]	232,968	219,337
Staff costs	[10]	78,768	74,830
Depreciation/write-downs of property, plant and equipment, and amortisation/write-downs of intangible assets	[17, 18]	15,137	14,410
Other expenses	[12]	69,951	65,966
Earnings before interest and taxes (EBIT)		**33,240**	**31,116**
Result from investments accounted for using the equity method	[19]	413	190
Finance income	[13]	1,881	1,270
Finance cost	[13]	3,237	7,958
Earnings before taxes (EBT)		**32,297**	**24,618**
Income taxes	[14]	8,046	7,113
Profit for the period		**24,251**	**17,505**
of which attributable to:			
Owners of the parent company		24,146	17,446
Non-controlling interests		105	59

EARNINGS PER SHARE:

in €			
– basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[15]	40.24	29.08
– diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[15]	40.24	29.08

* Prior-year figures restated in accordance with IAS 1.41 and IAS 8, cf. Notes [2].

Group Statement of Comprehensive Income of SIMONA AG for the Financial Year 2018

in € '000	01/01–31/12/2018	01/01–31/12/2017
Profit for the period	**24,251**	**17,505**
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit obligations	–2,074	9,108
Deferred taxes on remeasurement of defined benefit obligations	603	–2,685
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating financial statements of subsidiaries	3,457	–7,482
Deferred taxes from currency translation	–169	804
Other comprehensive income recognised directly in equity	**1,817**	**–255**
Total comprehensive income	**26,068**	**17,250**
Total comprehensive income attributable to:		
Owners of the parent company	25,954	17,174
Non-controlling interests	114	76

Group Statement of Financial Position of SIMONA AG for the Financial Year 2018

ASSETS

in € '000	Notes	31/12/2018	31/12/2017
Intangible assets	[17]	39,060	29,384
Property, plant and equipment	[18]	129,069	114,439
Financial assets	[34]	340	340
Investments accounted for using the equity method	[19]	949	483
Deferred tax assets	[14]	10,572	10,203
Non-current assets		**179,990**	**154,849**
Inventories	[20]	92,355	77,956
Trade receivables	[21]	64,017	56,461
Other assets	[22]	6,408	4,204
Income tax assets	[22]	4,235	1,259
Other financial assets	[34]	1,406	692
Cash and cash equivalents	[24, 31]	52,483	68,022
Current assets		**220,904**	**208,594**
Total assets		**400,894**	**363,443**

EQUITY AND LIABILITIES

in € '000	Notes	31/12/2018	31/12/2017
Equity attributable to owners of the parent company			
Issued capital		15,500	15,500
Capital reserves		15,274	15,274
Revenue reserves		180,583	165,498
Other reserves		8,956	5,677
		220,313	**201,949**
Non-controlling interests		390	317
Total equity	[25]	**220,703**	**202,266**
Financial liabilities	[26]	15,280	18,705
Provisions for pensions	[27, 28]	104,356	97,573
Other provisions	[29]	3,441	3,774
Other liabilities	[26]	59	231
Deferred tax liabilities	[14]	9,816	6,323
Non-current liabilities		**132,952**	**126,606**
Financial liabilities	[26]	3,425	3,425
Provisions for pensions	[27]	1,655	1,595
Other provisions	[29]	2,034	1,616
Trade payables		20,987	11,116
Income tax liabilities		1,302	451
Other financial liabilities	[26]	2,119	1,764
Other liabilities	[30]	15,717	14,604
Current liabilities		**47,239**	**34,571**
Total equity and liabilities		**400,894**	**363,443**

Group Statement of Cash Flows
of SIMONA AG for the Financial Year 2018

in € '000	Notes	01/01–31/12/2018	01/01–31/12/2017
Earnings before taxes		32,297	24,618
Income taxes paid		–6,701	–9,646
Finance income and finance cost (excl. interest expense relating to pensions)	[13]	210	202
Depreciation/write-downs of property, plant and equipment, and amortisation/write-downs of intangible assets	[17, 18]	15,137	14,410
Other non-cash expenses and income		–585	3,552
Result from disposal of non-current assets		99	314
Change in inventories	[20]	–10,228	–10,791
Change in trade receivables	[21]	–4,746	–6,095
Change in other assets	[22]	–2,784	–1,733
Change in pension provisions	[27, 28]	4,670	4,943
Change in liabilities and other provisions	[29, 30]	7,408	–560
Net cash from operating activities		**34,777**	**19,214**
Investments in intangible assets and property, plant and equipment	[17, 18]	–17,205	–16,091
Payments relating to acquisition of subsidiaries and other business units less net cash acquired (previous year from prior years)		–25,167	–2,029
Proceeds from the disposal of assets		2,634	3,985
Proceeds relating to the short-term financial management of cash investments	[34]	89	191
Investments in financial investments and proceeds relating to the short-term financial management of cash investments	[19, 34]	–291	0
Interest received		147	152
Net cash used in investing activities		**–39,793**	**–13,792**
Repayment of financial liabilities	[26]	–3,425	–3,425
Payment of prior-year dividend	[16]	–7,200	–7,200
Payment of dividend to non-controlling interests		–41	–41
Interest paid and similar expenses		–239	–354
Net cash used in financing activities		**–10,905**	**–11,020**
Effect of foreign exchange rate changes on liquidity	[31]	382	–1,139
Change in cash and cash equivalents		**–15,539**	**–6,737**
Cash and cash equivalents at 1 January	[24, 31]	68,022	74,759
Cash and cash equivalents at 31 December	[24, 31]	52,483	68,022
Change in cash and cash equivalents		**–15,539**	**–6,737**

Group Statement of Changes in Equity of SIMONA AG

in € '000	Notes	Equity attributable to owners of the parent company: Issued capital	Capital reserves	Revenue reserves	Other reserves: Currency translation differences	Total	Non-controlling interests	Total equity
		[25]	[25]		[25]		[25]	
Balance at 01/01/2017		**15,500**	**15,274**	**148,661**	**12,354**	**191,789**	**254**	**192,043**
Amount recognised directly in equity as part of the Statement of Comprehensive Income		0	0	6,423	–6,695	–272	17	–255
Profit for the period		0	0	17,446	0	17,446	59	17,505
Total comprehensive income for the period		**0**	**0**	**23,869**	**–6,695**	**17,174**	**76**	**17,250**
Dividend payment	[16]	0	0	–7,200	0	–7,200	–41	–7,241
Other changes		0	0	168	18	186	28	214
Balance at 31/12/2017		**15,500**	**15,274**	**165,498**	**5,677**	**201,949**	**317**	**202,266**
Balance at 01/01/2018		**15,500**	**15,274**	**165,498**	**5,677**	**201,949**	**317**	**202,266**
Amount recognised directly in equity as part of the Statement of Comprehensive Income		0	0	–1,471	3,279	1,808	9	1,817
Profit for the period		0	0	24,146	0	24,146	105	24,251
Total comprehensive income for the period		**0**	**0**	**22,675**	**3,279**	**25,954**	**114**	**26,068**
Dividend payment	[16]	0	0	–7,200	0	–7,200	–41	–7,241
Other changes		0	0	–390	0	–390	0	–390
Balance at 31/12/2018		**15,500**	**15,274**	**180,583**	**8,956**	**220,313**	**390**	**220,703**

Notes to Consolidated Financial Statements of SIMONA AG for the Financial Year 2018

[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 company has been entered in the Commercial Register at the District Court of Bad Kreuznach (HRB 1390). The consolidated financial statements of SIMONA AG for the financial year ended 31 December 2018 were released by the Management Board on the basis of a resolution of 26 March 2019 for the purpose of forwarding them to the Supervisory Board.

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

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

SIMONA AG operates a sales office in Möhlin, Switzerland, and is the ultimate controlling parent of the Group.

Additionally, the following subsidiaries, are responsible primarily for handling sales and distribution activities:

Company	Registered office, country
SIMONA UK Ltd.	Stafford, United Kingdom
SIMONA S.A.S.	Domont, France
SIMONA S.r.l. Società UNIPERSONALE	Cologno Monzese (MI), Italy
SIMONA IBERICA SEMIELABORADOS S.L.	Barcelona, Spain
SIMONA POLSKA Sp. z o.o.	Wrocław, Poland
DEHOPLAST POLSKA Sp. z o.o.	Kwidzyn, Poland
SIMONA Plast-Technik s.r.o.	Litvínov, Czech Republic
SIMONA FAR EAST LIMITED	Hong Kong, China
SIMONA ENGINEERING PLASTICS TRADING (SHANGHAI) CO., LTD.	Shanghai, China
SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd.	Jiangmen, China
SIMONA AMERICA Inc.	Archbald, USA
Boltaron Inc.	Newcomerstown, USA
SIMONA PMC, LLC	Findlay, USA
OOO SIMONA RUS	Moscow, Russian Federation
SIMONA INDIA PRIVATE LIMITED	Mumbai, India

[2] ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements are prepared using the historical cost principle, unless otherwise specified under [5] Summary of significant accounting policies. The consolidated financial statements are prepared in euro. Unless otherwise stated, all amounts are rounded to € ’000. For computational reasons, the tables presented in this document may include rounding differences equivalent to +/- unit (€, %, etc.).

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 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the end of the reporting period, as adopted by the European Union, and the provisions of commercial law to be applied additionally pursuant to Section 315e(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 Standards Interpretations Committee (IFRS IC) – formerly Standing Interpretations Committee (SIC) – were applied insofar as their application was mandatory for the 2018 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/losses") 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.

Adjustment to prior-year disclosures

The items of the 2017 income statement presented below have been adjusted retrospectively in accordance with IAS 1.41 in conjunction with IAS 8. Income and expenses from foreign currency translation relating to financing activities and cash were recognised in finance income and finance cost for the first time in the 2018 financial year. The reclassification of these items is due to the fact that income and expenses from foreign currency translation not attributable to the SIMONA Group's operating activities but rather to financing activities and cash are allocated to net finance income/cost for the purpose of improving the overall presentation. The prior-year figures in the Group income statement have been adjusted accordingly.

01/01–31/12/2017

in € '000	Before adjustment	adjustment	**After adjustment**
Other income	5,433	–1,118	**4,315**
Other expenses	71,730	–5,764	**65,966**
Earnings before interest and taxes (EBIT)	**26,470**	**4,646**	**31,116**
Finance income	152	1,118	**1,270**
Finance costs	2,194	5,764	**7,958**
Earnings before taxes (EBT)	**24,618**	**0**	**24,618**

Exemption according to Section 264b HGB

Under Section 264b HGB, SIMONA Produktion Kirn GmbH & Co. KG, Kirn, and SIMONA Produktion Ringsheim GmbH & Co. KG, Ringsheim, are exempt from their obligation to prepare, have audited and disclose annual financial statements and a management report in accordance with German commercial law pursuant to the provisions applicable to corporations.

[3] NEW FINANCIAL REPORTING STANDARDS

3.1 Accounting standards to be applied for the first time in the financial year

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) issued the following Standards and Interpretations that have been endorsed by the EU and incorporated into European law and must be applied with regard to the reporting period from 1 January 2018 to 31 December 2018. The accounting standards to be applied for the first time in the financial year 2018 had no material impact on the presentation of the consolidated financial statements.

IFRS pronouncement	Approval IASB	EU endorsement	EU first-time adoption
Amendments to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	12/09/2016	03/11/2017	01/01/2018
Clarifications regarding IFRS 15, Revenue from Contracts with Customers	12/04/2016	31/10/2017	01/01/2018
IFRS 9, Financial Instruments	24/07/2014	22/11/2016	01/01/2018
IFRS 15, Revenue from Contracts with Customers	28/05/2014	22/09/2016	01/01/2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment	20/06/2016	26/02/2018	01/01/2018
Annual Improvements to IFRSs 2014-2016 Cycle	08/12/2016	07/02/2018	01/01/2018
Amendments to IAS 40 with regard to Transfers of Investment Property	08/12/2016	14/03/2018	01/01/2018
IFRIC 22, Foreign Currency Transactions and Advance Consideration	08/12/2016	24/03/2018	01/01/2018

Clarifications regarding IFRS 15, Revenue from Contracts with Customers

The clarifications in IFRS 15 are related to the identification of performance obligations, guidance on principal versus agent considerations and licences. No effects on the consolidated financial statements of SIMONA have been identified.

IFRS 9, Financial Instruments

As from 1 January 2018, SIMONA has applied IFRS 9 Financial Instruments for the first time. In accordance with the transitional provisions, comparative figures have not been restated retrospectively. In accordance with IFRS 9, the classification and measurement of financial assets is determined according to the entity's business model and the characteristics of the cash flows of the financial asset in question. Accordingly, all financial instruments currently within the scope of IAS 39 will henceforth generally be subdivided into only two classifications: financial instruments measured at amortised cost and financial instruments measured at fair value. An additional measurement category has been introduced for debt instruments. In future, these may be classified as fair value in other comprehensive income (FVOCI) if the conditions in respect of the business model and the contractual cash flows have been met.

The accounting provisions for expected credit losses in accordance with IFRS 9 are applied as follows: The expected credit loss model is applied to trade receivables, taking into account country and industry risks. The loss rates calculated on the basis of historical and forecast data take into account the business model, the respective customer risk and the economic environment of the geographical region. Financial assets with significant past due dates, which may be more than 90 days in view of the customer structure, or those whose debtors are subject to insolvency or similar proceedings, are individually tested for impairment.

As regards all other financial assets subject to the general impairment approach that were already held on 1 January 2018, it was determined that there was no significant increase in default risk between initial recognition and 1 January 2018. The loss allowance for these instruments is therefore recognised on the basis of the expected 12-month losses. The new impairment provisions were applied to financial assets and contract assets already held as at 1 January 2018. The accumulated impairment losses of €2,426 thousand recognised in respect of trade receivables in accordance with IAS 39 as at 31 December 2017 increased by €483 thousand to €2,909 thousand due to the first-time application of IFRS 9 as at 1 January 2018.

There were no effects from a reclassification. The transition from IAS 39 "Financial Instruments: Recognition and Measurement" to IFRS 9 had no material effect on financial assets and financial liabilities at the date of initial application:

	MEASUREMENT CATEGORY		CARRYING AMOUNT		
in € '000	Formerly IAS 39	New IFRS 9	Formerly 31/12/2017	New 31/12/2017	Difference
Non-current financial assets					
Financial assets	AfS	AC	340	340	0
Investments accounted for using the equity method	AfS	AC	483	483	0
Current financial assets					
Trade receivables	LaR	AC	56,461	55,978	–483
Other financial assets	LAR	AC	692	692	0
Cash and cash equivalents	LaR	AC	68,022	68,022	0
Non-current financial liabilities and other financial liabilities					
Loans	FLAC	AC	–18,705	–18,705	0
Other financial liabilities	FLAC	AC	–231	–231	0
Current financial liabilities and other financial liabilities					
Loans	FLAC	AC	–3,425	–3,425	0
Trade payables	FLAC	AC	–11,116	–11,116	0
Other financial liabilities	FLAC	AC	–1,764	–1,764	0

IFRS 15, Revenue from Contracts with Customers

IFRS 15 will replace IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC-31 "Revenue – Barter Transactions Involving Advertising Services". The standard defines when revenues should be recognized and in what amount. According to IFRS 15, revenues should be recognized in the amount that reflects the consideration expected for the performance obligations being undertaken. IFRS 15 was implemented throughout the Group at the beginning of 2018. The first-time application of IFRS 15 to SIMONA business practices has no effect on the timing of revenue recognition compared to the previous rules under IAS 18. Accordingly, there was no transition effect from the first-time application of IFRS 15 to be presented in these financial statements.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment

As SIMONA does not have a programme of share-based payment, this will not have an impact on its consolidated financial statements.

Annual Improvements to IFRSs 2014–2016 Cycle

This Annual Improvements Cycle relates to the following standards: IFRS 1, IFRS 12 and IAS 28. These changes have no material impact on the consolidated financial statements.

Amendments to IAS 40 with regard to Transfers of Investment Property

The amendments clarify that an entity may only reclassify an investment property if there is evidence of a change in use. The change in use may result in the property meeting the definition of investment property for the first time (or ceasing to meet the definition). The amendments clarify that an intended change of use by management is not sufficient evidence of a change in use. They will have no impact on the consolidated financial statements.

IFRIC 22 Foreign Currency Transactions and Advanced Consideration

IFRIC 22 addresses the issue of how to apply IAS 21 The Effects of Changes in Foreign Exchange Rates. It clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. They will have no impact on the consolidated financial statements.

3.2 Standards and Interpretations not yet applicable in the financial year

The International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRS IC) have issued additional Standards and Interpretations. These standards and interpretations are not being applied in the financial year under review, as adoption by the EU ("endorsement") remains outstanding at this time for some of them, or because their application is not yet mandatory.

IFRS pronouncement	Approval IASB	EU endorsement	EU first-time adoption
IFRS 16, Leases	13/01/2016	31/10/2017	01/01/2019
IFRS 17, Insurance Contracts	18/05/2017	Open	Expected: 01/01/2021
IFRIC 23, Uncertainty over Income Tax Treatments	07/06/2017	23/10/2018	01/01/2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	12/10/2017	22/03/2018	01/01/2019
Amendments to IAS 28: Investments in associates and joint ventures	12/10/2017	Open	Expected: 01/01/2019
Annual Improvements to IFRSs 2015–2017 Cycle	12/12/2017	Open	Expected: 01/01/2019

IFRS 16, Leases

Under the new regulations, lessees will in future have to account for all leases by recognising a right-of-use asset and a lease liability. Presentation in the income statement is always on the basis of a financing transaction, i.e. the right-of-use asset is generally subject to straight-line depreciation while the effective interest method is to be applied to the lease liability. Essentially, it is likely that the first-time application of IFRS 16 will result in an increase in current and non-current assets and liabilities, which will in turn have an impact on the balance sheet total, debt and the equity ratio. A new item "Rights of use leasing" and liabilities from leasing (current and non-current) has to be included in the statement of financial position. The rights of use from leasing and liabilities from leasing in the same amount were recognised at a value of €2,085 thousand as at 1 January 2019. The amortisation of the rights of use amounts to €600 thousand and corresponds largely to the previous leasing expenses. The effect on net finance income/cost is insignificant. As a result, the equity ratio has decreased by 0.28 per cent.

IFRS 17, Insurance Contracts

IFRS 17 establishes accounting principles for insurance contracts. The standard does not cover the aspect of recognition by policyholders. Therefore, this standard does not have an impact on the consolidated financial statements.

IFRIC 23, Uncertainty over Income Tax Treatments

The tax treatment of specific circumstances and transactions can be dependent on future approval by the taxation authority or a court. IAS 12 Income Taxes prescribes the accounting treatment for income taxes. IFRIC 23 clarifies the requirements in IAS 12 with regard to the consideration of uncertainty over income tax treatment of circumstances and transactions. This is not expected to have an impact on the consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amendments made by the IASB are aimed at clarifying or adjusting existing requirements in B4.1.10/B4.1.11(b). This was due to uncertainty in the case of financial instruments containing symmetrical termination and indemnity clauses, on the basis of which, theoretically, payments could be made by the debtor to the creditor and vice versa. This is not expected to have an impact on the consolidated financial statements.

Amendments to IAS 28: Investments in associates and joint ventures

The amendments are aimed at clarifying that an entity shall apply IFRS 9 "Financial Instrument" to long-term interests in associates and joint ventures that form part of the net investment in the associate or joint venture but are not accounted for using the equity method. This is not expected to have an impact on the consolidated financial statements.

Annual Improvements to IFRSs 2015–2017 Cycle
This Annual Improvements Cycle affects the following standards: IFRS 3, IFRS 11, IAS 12 and IAS 23. These changes have no material impact on the consolidated financial statements.

[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. 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 the 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 ("CGU") 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.

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 time value of money 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 four years. As regards periods beyond this time frame, long-term growth rates are determined and applied to the projection of future cash flows beyond four 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 [14].

Provisions
Provisions are recognised in accordance with the accounting policies discussed in Note [29]. 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 that include discount rates, expected salary and pension increases as well as mortality rates. The assumptions used as a basis of valuations may differ from actual developments due to changing market, economic and social conditions. Any change in these assumptions will have an impact on the carrying amounts of pension obligations. For further details, please refer to Note [27] and [28].

[5] SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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:

Company	Registered office, country	Currency
SIMONA UK Ltd.	Stafford, United Kingdom	Pound Sterling
SIMONA POLSKA Sp. z o.o.	Wrocław, Poland	Polish zloty
DEHOPLAST POLSKA Sp. z o.o.	Kwidzyn, Poland	Polish zloty
SIMONA-PLASTICS CZ, s.r.o.	Prague, Czech Republic	Czech koruna
SIMONA Plast-Technik s.r.o.	Litvínov, Czech Republic	Czech koruna
SIMONA FAR EAST LIMITED	Hong Kong, China	Hong Kong dollar
SIMONA ASIA LIMITED	Hong Kong, China	Hong Kong dollar
SIMONA AMERICA Inc.	Archbald, USA	US dollar
64 NORTH CONAHAN DRIVE HOLDING, LLC	Hazleton, USA	US dollar
Laminations Inc.	Archbald, USA	US dollar
Boltaron Inc.	Newcomerstown, USA	US dollar
DANOH, LLC	Akron, USA	US dollar
SIMONA PMC, LLC	Findlay, USA	US dollar
SIMONA PMC Acquisition Inc.	Archbald, USA	US dollar
SIMONA AMERICA Industries LLC	Archbald, USA	US dollar
SIMONA ENGINEERING PLASTICS TRADING (SHANGHAI) CO., LTD.	Shanghai, China	Chinese renminbi yuan
SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd.	Jiangmen, China	Chinese renminbi yuan
OOO SIMONA RUS	Moscow, Russian Federation	Russian rouble
SIMONA INDIA PRIVATE LIMITED	Mumbai, India	Indian rupee
SIMONA ASIA PACIFIC PTE. LTD.	Singapore, Singapore	Singapore dollar

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. Foreign exchange differences are recognised in the income statement under other income or other expenses, unless they relate to currency effects from financing activities. These are reported in net finance income/costs. 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 items presented in the statement of financial position are recognised in other reserves.

Business combinations

Business combinations subsequent to 1 January 2010 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 other expenses.

On first-time recognition, goodwill is measured at cost, being 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.

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 is performed over a useful life of between three and ten years.

Property, plant and equipment

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 2018, no 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 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.

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 process 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.

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 affect 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 the financial year under review or the previous financial year.

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 of disposal 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 of disposal 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.

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 time value of money and the risks specific to the asset. The Group bases its impairment tests on detailed budget and forecasting calculations that are prepared separately for each of the Group's cash-generating units to which individual assets are assigned. Such budget and forecasting calculations generally cover a period of four years. As regards periods beyond this time frame, long-term growth rates are determined and applied to the projection of future cash flows subsequent to the fourth year.

Investments and other financial assets
In accordance with IFRS 9, the classification and measurement of financial assets is determined according to the entity's business model and the characteristics of the cash flows of the financial asset in question. Accordingly, all financial instruments are divided into only two categories: Financial instruments measured at amortised cost (AC - Amortised Cost) and financial instruments measured at fair value: fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). An additional measurement category has been introduced for debt instruments. In future, these may be classified as fair value in other comprehensive income (FVOCI) if the conditions in respect of the business model and the contractual cash flows have been met.

The business model condition refers to how financial assets are used for the purpose of generating income. A distinction is made between collecting contractual cash flows and selling the financial asset. As a third option, a combination of holding and selling is also possible. The business model is determined by an entity's management having considered all relevant information available.

The cash flow condition is met when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The payments should therefore have the character of a basic lending arrangement. Depending on the characteristics of the cash flow and business model conditions, the financial assets are allocated to one of three categories; this provides the basis for subsequent measurement. Reclassification is only possible when an entity changes its business model.

A financial asset can only be measured at amortised cost if the cash flow condition has been met and the business model is based on the collection of interest and principal payments. Therefore, allocation to the amortised cost (AC) category is only possible for debt instruments. By contrast, equity instruments will usually not meet the cash flow condition.

If the cash flow condition has been met and the business model provides for both the sale and collection of contractual payments, the financial asset is allocated to the FVOCI category.

The FVPL category serves as a "catch category" for debt instruments if classification in the two classes is not possible. Derivatives generally belong to this category unless they are designated in a hedging relationship (hedge accounting). This also includes equity instruments if the FVOCI option is not exercised.

Additionally, financial assets – as was the case in IAS 39 – can be measured at fair value through profit or loss on a voluntary basis (fair value option). In future, however, this option will be restricted to the elimination of an accounting mismatch. Finally, equity instruments can be irrevocably allocated to the FVOCI category upon initial recognition, provided they are not held solely for trading purposes (FVOCI option).

The classification and measurement of financial liabilities remains largely unchanged compared to IAS 39.

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.

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. This does not affect impairment in accordance with IFRS 9 on the basis of the expected credit loss model. 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.

Investments accounted for using the equity method
Associates are accounted for using the equity method, an associate being an entity over which the investor has significant influence. On initial recognition the investment in an associate is recognised at cost. On initial recognition any differences between the cost of the investment and the entity's share of equity has to be determined. This then has to be analysed as to whether it is attributable to hidden reserves or liabilities. Any excess, i.e. positive difference, remaining after the allocation of hidden reserves and assets is to be treated as goodwill and presented in the carrying amount of the investment. Any negative difference is accounted for in profit and loss by increasing the assigned value of the investment.

Based on the cost of purchase, the carrying amount of the investment is increased or decreased in the subsequent periods by the share of annual profit. Further adjustments to the carrying amount of the investment are required if the equity of the investee has changed due to circumstances accounted for in the other components of profit/loss.

As part of subsequent measurement, write-downs relating to hidden reserves realised in the context of initial measurement have to be accounted for accordingly and deducted from the share of annual profit. To avoid double recognition, dividends received are to be deducted from the carrying amount.

If there are circumstances indicating that the investment may be impaired, an impairment test is to be conducted in respect of this investment. No separate review of pro-rata goodwill is conducted as part of this process. The assessment applies to the total carrying amount of the investment.

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

The inventories associated with consumables have been capitalised at average historical cost. As part of Group accounting, the cost of raw materials is assigned mainly by using the weighted average cost formula. 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.

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 and cash equivalents less overdrafts used by the Group.

Non-current assets held for sale
SIMONA classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction or a distribution to shareholders rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale/distribution in its present condition subject only to terms that are usual and are customary for sale/distribution of such assets (or disposal groups) and its sale/distribution must be highly probable. Insofar as they refer to the Group statement of financial position, the disclosures made in the notes to the consolidated financial statements relate to assets not held for sale. SIMONA reports non-current assets held for sale (or disposal groups) separately in Note [23]. Non-current assets held for sale and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell, unless the items presented in the disposal group do not fall under the provisions set out in IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Financial liabilities
SIMONA measures financial liabilities other than derivative financial instruments at amortised cost using the effective interest method. The Group's financial liabilities comprise trade payables, other financial liabilities, 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.

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 securities traded on public exchanges, it corresponds to the published purchase price. As the requirements for plan assets specified in IAS 19.8 have been fulfilled, the deduction of the plan assets from the obligation of the Group does not give rise to an obligation to consolidate on the part of SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH because their sole purpose is to service the pension obligations.

Provisions for pensions are accounted for on the basis of the Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) (IAS 19, Projected Unit Credit Method). 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.

In accordance with IAS 19, interest expenses and the expected return on plan assets are replaced with a net interest amount. It is calculated by applying the discount rate used to measure defined benefit obligations to the net defined benefit liability (asset). The net interest from a net defined benefit liability (asset) includes the interest expenses attributable to defined benefit obligations and interest income from plan assets. The difference between the interest income on plan assets and the return on plan assets is included in the remeasurement of defined benefit obligations in other comprehensive income for the Group. In accordance with IAS 19, the return on plan assets is calculated on the basis of the discount rate.

The amount recognised as a defined benefit liability is the net total of the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly.

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 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

The Group manufactures and sells semi-finished plastics as well as pipes and fittings. Revenue is recognized when control over the identifiable products is transferred, i.e. when the control associated with ownership of the products sold has been transferred to the customer. This is conditional upon the existence of a contract with enforceable rights and obligations and, among other things, the probability that the consideration will be received, taking into account the customer’s creditworthiness. Revenues represent the contractually agreed transaction price that SIMONA is expected to be entitled to.

The Group also provides services centred around its Sales Academy and the rental of welding machines for plastics. The value of such services is less than 0.02 per cent of consolidated revenue and is immaterial.

No contract assets or contract liabilities were identified.

Framework agreements that the Group enters into with individual customers mainly include product specifications, purchase quantities, contract terms, terms of delivery, payment terms, bonus agreements, penalties and, in individual cases, extended warranty periods. The standard payment terms are between 30 and 90 days without deductions and up to 14 days with up to 3 per cent discount. In individual cases, SIMONA agrees warranty periods of up to five years; they customary in the industry and go beyond the statutory warranty period. Transaction prices for extended warranties are not customary in the market and are therefore not invoiced.

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. Where required, tax liabilities 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 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.

[6] SEGMENT REPORTING

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

- Europe
- Americas
- Asia and Pacific

As in the previous year, the segments have been allocated on the basis of the region in which the revenue-generating business unit has its registered office.

All three segments generate their revenues mainly through the sale of semi-finished plastics and pipes, as well as fittings and finished parts. The segment categorised as “Europe” encompasses the production and sale of semi-finished and finished thermoplastics, profiles, pipes and fittings. The segment categorised as “Americas” mainly covers the production and sale of extruded thermoplastic sheets, the emphasis being on aircraft interiors. The segment categorised as “Asia and Pacific” includes the production and sale of semi-finished thermoplastics.

Management assesses earnings before interest and taxes (EBIT) 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 registered office of the revenue-generating business unit. Capital expenditure relates to additions to intangible assets as well as property, plant and equipment. Segment assets comprise assets 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 table includes information relating to segment revenues, income and expenses as well as segment results. The differences in respect of the consolidated financial statements are presented in the reconciliation.

SEGMENT INFORMATION BY REGION

	Europe		Americas		Asia and Pacific		Total		Reconciliation		Group	
in € '000	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017 (adjusted)
Revenues from external customers	273,569	269,212	114,190	94,719	30,157	30,214	417,916	394,145	0	0	417,916	394,145
Revenues from other segments	9,183	9,706	154	23	0	0	9,337	9,729	–9,337	–9,729	0	0
Segment revenues	**282,753**	**278,918**	**114,343**	**94,742**	**30,157**	**30,214**	**427,253**	**403,874**	**–9,337**	**–9,729**	**417,916**	**394,145**
Other income[1]	3,314	3,524	266	442	2,766	1,338	6,346	5,304	–1,466	–989	4,879	4,315
Cost of materials	165,643	162,757	53,624	42,989	23,057	23,320	242,324	229,066	–9,356	–9,729	232,968	219,337
Staff costs	55,867	54,640	19,678	17,121	3,223	3,069	78,768	74,830			78,768	74,830
Depreciation, amortisation and write-downs	9,616	9,708	4,076	3,299	1,445	1,403	15,137	14,410			15,137	14,410
Other expenses[1]	46,028	44,857	19,341	17,217	5,859	4,871	71,227	66,946	–1,276	–980	69,951	65,966
Earnings before interest and taxes (EBIT)[1]	14,821	15,551	17,923	15,675	767	21	33,511	31,247	–271	–132	33,240	31,116
Earnings before taxes (EBT)	14,740	10,053	17,583	15,378	266	-681	32,589	24,750	–291	–132	32,297	24,618
Segment capital expenditure	9,911	9,098	5,568	5,921	1,726	1,072	17,205	16,091			17,205	16,091
Non-current assets	78,332	79,740	79,093	59,667	10,645	11,160	168,070	150,567			168,070	150,567

[1] Adjustment of prior-year figures in accordance with Note [2]

GERMANY

in € '000	2018	2017
Domestic revenue	102,785	101,185
Non-current assets	66,454	66,118

SEGMENT INFORMATION BY PRODUCT AREA

in € '000	2018	2017
Semi-finished and finished parts	333,736	313,843
Pipes and fittings	84,180	80,302
Revenues from external customers	**417,916**	**394,145**

NOTES TO GROUP INCOME STATEMENT

[7] SALES REVENUE

Sales revenue is attributable solely to the sale of semi-finished plastics, pipes and fittings as well as finished parts. There are no contractual take-back obligations from product deliveries. Refunds are made promptly in the form of credit notes to the customer in the event of changes in the transaction price, complaints or other reasons. Delivery and service obligations in the Group result mainly from the order backlog at the end of 2018 in the amount of €51,038 thousand (previous year: €40,013 thousand).

The classification of sales revenue by region and product area is outlined in segment reporting – Note [6].

[8] OTHER INCOME

Other income includes the following items:

in € '000	2018	2017 (adjusted)
Income from currency translation	2,424	1,113
Reversal of provisions/Deferrals/accruals	1,181	802
Income from disposal of assets	–41	114
Income from services and commissions	232	361
Income from rental and lease	30	30
Miscellaneous other income	1,053	1,895
	4,879	**4,315**

[9] COST OF MATERIALS

The cost of materials includes the following items:

in € '000	2018	2017
Cost of raw materials, consumables and supplies	230,980	217,525
Cost of purchased services	1,988	1,812
	232,968	**219,337**

[10] STAFF COSTS

Staff costs include the following items:

in € '000	2018	2017
Wages and salaries	61,991	58,314
of which from long-term employee benefits	657	641
Expenses relating to social security	12,051	11,648
Expenses relating to old-age provision and pensions	4,726	4,868
	78,768	**74,830**

Staff costs include employment termination indemnities totalling €138 thousand (previous year: €95 thousand). Expenses relating to social security include defined contribution plans governed by German legislation (statutory pension insurance) totalling €4,124 thousand (previous year: €4,117 thousand). As regards the internal multifinanced defined contribution plan, the total expense for SIMONA AG was €31 thousand (previous year: €27 thousand) in the period under review.

[11] RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses amounted to €4,023 thousand in the period under review (previous year: €4,451 thousand). Expenses are mainly comprised of staff costs, material costs and depreciation of property, plant and equipment. No development costs were capitalised in the financial year under review.

[12] OTHER EXPENSES

in € '000	2018	2017 (adjusted)
Outward freight	17,111	16,306
Other selling expenses	12,392	11,245
Maintenance expenses	12,231	11,719
Other administrative expenses	10,004	9,096
Expenses for packaging material	8,408	8,413
Other operating costs	2,774	2,275
Rental and lease expenses	1,722	1,630
Losses from disposal of assets	58	428
Losses from the derecognition of financial assets and impairment losses	444	492
Expenses from foreign currency translation	2,448	2,250
Remaining other expenses	2,359	2,112
	69,951	**65,966**

The rental and lease expenses are mainly attributable to rental agreements for dispatch warehouses and the property for the Archbald production facility in the United States. The rental agreements have various contractual maturities (3 to 30 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; as at 31 December 2018, no finance leases existed within the Group.

[13] NET FINANCE INCOME/COST

in € '000	2018	2017 (adjusted)
Finance income	**1,881**	**1,270**
of which income from the translation of financing-related monetary balance sheet items	1,734	1,118
of which interest from loans and receivables	77	133
of which other finance income	70	19
Finance costs	**3,237**	**7,958**
of which expenses from the translation of financing-related monetary balance sheet items	1,098	5,764
of which interest expenses from termination benefits	1,781	1,840
of which interest expenses from borrowings and financial liabilities	358	354
Net finance cost	**–1,356**	**–6,688**

Income and expenses from the translation of financing-related monetary balance sheet items mainly result from the exchange rate risk of intragroup financing transactions denominated in foreign currencies and of cash and cash equivalents denominated in foreign currencies.

[14] INCOME TAXES

The principal elements of income tax expense for the 2018 and 2017 financial years are as follows:

GROUP INCOME STATEMENT

in € '000	2018	2017
Current tax		
Current tax expense	4,587	8,189
Adjustments of current tax attributable to previous periods	3	–111
Deferred tax		
Origination and reversal of temporary differences	3,249	–1,287
Change in loss carryforwards and tax credits recognised	207	322
Income tax expense reported in the Group income statement	**8,046**	**7,113**

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 2018 and 2017 financial years is as follows:

in € '000	2018	2017
Profit before taxes	**32,297**	**24,618**
Income tax expense at German tax rate of 29.48 % (prev. year: 29.48 %)	9,521	7,257
Adjustments of current tax attributable to previous periods	3	–111
Unrecognised deferred tax assets relating to tax losses	45	449
Loss carryforwards used in connection with deferred tax assets	–113	–171
Unrecognised deferred tax assets relating to tax losses	–329	0
Tax effect of non-deductible expenses	259	270
Tax rate differences	–1,927	696
Changes to tax rate	–4	–1,421
Tax-free dividend income	54	110
Other tax-free income	–120	–825
Tax effects of permanent differences	90	404
Adjustments to carrying amount for loss carryforwards and tax credits	0	111
Other tax effects not attributable to the period	0	658
Other	567	–314
Income tax expense at effective tax rate of 24.9 % (prev. year: 28.9 %)	**8,046**	**7,113**
Income tax expense reported in the Group income statement	**8,046**	**7,113**

Changes to the tax rates of the consolidated subsidiaries are as follows: The gradual reduction in the corporation tax rate in France to a range from 15 to 33 per cent with effect from 2018 was approved on 27 November 2017. Effective from 2019 to 2022, the corporation tax rate is to be lowered in each case to between 15 and 25 per cent. In the United Kingdom, under the Finance Act 2016 the UK's corporation tax rate will be reduced gradually to 19 per cent (as from 1 April 2017) and 17 per cent (as from 1 April 2020). Under the US tax reform enacted in the United States effective from 1 January 2018, the corporate tax rate will be reduced to 21 per cent.

Deferred tax

At the end of the reporting period, deferred tax assets and deferred tax liabilities were as follows:

GROUP STATEMENT OF FINANCIAL POSITION

in € '000	31/12/2018	31/12/2017
Deferred tax assets		
Provisions for pensions	16,968	15,927
Other provisions and liabilities	592	511
Inventories	244	60
Receivables and other assets	165	164
Loss carryforwards and tax credits	657	207
Property, plant, and equipment	719	536
Other items	123	446
	19,468	**17,851**

Deferred tax liabilities		
Goodwill	1,532	1,118
Property, plant, and equipment	10,767	8,075
Inventories	4,945	3,480
Receivables and other assets	888	1,085
Other provisions and liabilities	167	121
Other items	412	92
	18,711	**13,971**
Set-off	–8,896	–7,648
Deferred tax assets	**10,572**	**10,203**
Deferred tax liabilities	**–9,816**	**–6,323**
Net balance sheet position	**756**	**3,880**

The net balance sheet position of deferred taxes changed as follows:

in € '000	2018	2017
Beginning of the period 1 January	**3,880**	**4,491**
Income tax expense (prev. year: income)	–3,456	966
Amount recognised directly in equity (total comprehensive income)	618	–1,900
Currency translation	–286	323
End of period 31 December	**756**	**3,880**

At the end of the reporting period, loss carryforwards amounted to €2,267 thousand (previous year: €5,843 thousand). Deferred tax assets of €1,530 thousand (previous year: €1,970 thousand) were recognised for €438 thousand (previous year: €414 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.

Expiry date of tax loss carryforwards:

in € '000	2018	2017
Between 3 and 20 years	738	1,271
	738	**1,271**

Deferred tax assets of around €77 thousand (previous year: €30 thousand) are expected to be realised in the subsequent financial year.

[15] EARNINGS PER SHARE

For the calculation of basic earnings per share, the profit or loss attributable to ordinary equity holders of the parent entity shares is divided by the weighted average number of ordinary shares outstanding during the year. There were no dilutive effects in the reporting period or in the prior-year period.

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

in € '000 or units of 1,000	2018	2017
Profit or loss attributable to ordinary equity holders of the parent company	24,146	17,446
Weighted average number of ordinary shares (without treasury shares) to calculate 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)	40.24	29.08
Diluted earnings per share (in euro)	40.24	29.08

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

[16] PAID AND PROPOSED DIVIDENDS

During the financial year a dividend, attributable to the ordinary shares of the parent company, in the amount of €12.00 (previous year: €12.00) per share was declared and distributed. The total payment made in the financial year under review amounted to €7,200 thousand (previous year: €7,200 thousand). A dividend proposal of €14.00 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 €8,400 thousand (previous year: €7,200 thousand).

NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

[17] INTANGIBLE ASSETS

31 DECEMBER 2018

in € '000	Patents and licences	Customer base	Goodwill	Total
Balance at 1 January 2018 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	1,633	3,147	24,604	29,384
Additions	304	0	0	304
Additions from business combinations	2,854	2,301	4,304	9,459
Transfer	48	0	0	48
Disposals	0	0	0	0
Depreciation/amortisation during the financial year	–689	–934	0	–1,623
Effects of changes in foreign currency exchange rates	55	176	1,257	1,488
Stand 31. Dezember 2018 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	**4,205**	**4,690**	**30,165**	**39,060**
Balance at 1 January 2018				
Cost of purchase or conversion	8,837	6,631	25,320	40,788
Accumulated depreciation/amortisation	–7,204	–3,484	–716	–11,404
Carrying amount	**1,633**	**3,147**	**24,604**	**29,384**
Balance at 31 December 2018				
Cost of purchase or conversion	12,113	9,303	30,881	52,297
Accumulated depreciation/amortisation	–7,908	–4,613	–716	–13,237
Carrying amount	**4,205**	**4,690**	**30,165**	**39,060**

Goodwill was as follows:

in € '000	31/12/2017	Additions/disposals	Write-down	Change in foreign exchange rate	31/12/2018
Boltaron Inc., USA	22,283	0	0	1,057	23,340
SIMONA America Inc./Laminations Inc., USA	2,178	0	0	92	2,270
SIMONA PMC, LLC, USA	0	4,304	0	108	4,412
Other	143	0	0	0	143
	24,604	**4,304**	**0**	**1,257**	**30,165**

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 straight-line method; customer relationships are amortised over an economic life of five to ten years by using the straight-line method. The residual book value of customer relationships resulting from acquisitions is as follows:

31/12/2018	Residual book value in € '000	Remaining period of amortisation
Boltaron Inc., USA	1,997	2 years
SIMONA America Inc./Laminations Inc., USA	411	5 years
SIMONA PMC, LLC, USA	2,282	14 years
Total	**4,690**	

31/12/2017	Residual book value in € '000	Remaining period of amortisation
Boltaron Inc., USA	2,755	3 years
SIMONA America Inc./Laminations Inc., USA	392	6 years
Total	**3,147**	

Impairment of goodwill

The Group conducts the mandatory annual impairment test for significant goodwill in the fourth quarter of the financial year, applying the method outlined in Note [5] "Impairment of Assets". As part of the impairment test conducted in the financial year under review in respect of the cash-generating units (CGU), the recoverable amounts on the basis of the value in use were estimated to be higher than the carrying amounts. No impairment losses were required as part of the goodwill impairment test conducted for the financial year under review.

The fundamental assumptions made in connection with the impairment test are based primarily on projected market growth rates as well as Group estimates/assessments provided by the respective sales and purchasing departments. The assumptions in the financial year under review are based on the parameters presented in the following table. Projections relating to cash flows are based on a period of 4 years, subsequently transitioning into perpetuity.

Boltaron Inc. / SIMONA PMC LLC

As regards impairment testing of Boltaron Inc. and SIMONA PMC LLC, the following parameters were applicable: four-year forecasting period, revenue growth, EBITDA margin and discount rate at end of forecasting period. An increase or decrease in the discount rate by plus 0.5 per cent or minus 0.5 per cent does not result in an impairment of goodwill. No reduction in the carrying amount would be required even in the event of an unexpected deterioration in the assumptions made.

		31/12/2018	31/12/2017
SIMONA AMERICA Inc./ Laminations Inc.			
Revenue growth forecasting period	%	2.9 – 3.0	2.9 – 10.3
EBITDA margin forecasting period	%	9.8 – 10.0	8.1 – 8.2
Duration forecasting period	years	4	4
Revenue growth at end of forecasting period	%	1.9	1.8
EBITDA margin at end of forecasting period	%	7.5	7.5
Discount rate at end of forecasting period	%	7.9	8.8
Carrying amount goodwill	€ '000	2,270	2,178
Recoverable amount (value in use of the CGU) in excess of carrying amount	€ '000	15,459	6,225
Required reduction in carrying amount	€ '000	–	–

The value in use of the CGU SIMONA America Inc./Laminations Inc. would correspond to the carrying amounts if the following key assumptions were to be changed separately:

31/12/2018

		from	to
Revenue growth forecasting period	%	2.9 – 3.0	–7.6 – 3.8
EBITDA margin forecasting period	%	9.8 – 10.0	–0.1 – 0.2
Discount rate	%	7.0	10.6
Growth of perpetuity	%	1.9	–3.2

31/12/2017

		from	to
Revenue growth forecasting period	%	2.9 – 3.0	1.3 – 4.2
EBITDA margin forecasting period	%	8.1 – 8.2	1.6 – 2.5
Discount rate	%	6.4	8.7
Growth of perpetuity	%	1.8	–1.1

31 DECEMBER 2017

in € '000	Patents and licences	Customer base	Goodwill	Total
Balance at 1 January 2017 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	1,386	4,550	27,941	33,877
Additions	810	0	0	810
Transfer	104	0	0	104
Disposals	–138	0	0	–138
Depreciation/amortisation during the financial year	–627	–905	0	–1,532
Transfer amortisation	0	0	0	0
Effects of changes in foreign currency exchange rates	98	–498	–3,337	–3,737
Balance at 31 December 2017 (Cost of purchase/conversion, taking into account accumulated depreciation/amortisation and impairments)	**1,633**	**3,147**	**24,604**	**29,384**
Balance at 1 January 2017				
Cost of purchase or conversion	8,131	7,545	28,657	44,333
Accumulated depreciation/ amortisation	–6,745	–2,995	–716	–10,456
Carrying amount	**1,386**	**4,550**	**27,941**	**33,877**
Balance at 31 December 2017				
Cost of purchase or conversion	8,837	6,631	25,320	40,788
Accumulated depreciation/ amortisation	–7,204	–3,484	–716	–11,404
Carrying amount	**1,633**	**3,147**	**24,604**	**29,384**

[18] PROPERTY, PLANT AND EQUIPMENT

31 DECEMBER 2018

in € '000	Land and buildings	Plant and equipment	Prepayments and assets under construction	Total
Balance at 1 January 2018 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	41,448	65,240	7,751	114,439
Additions	90	842	15,969	16,901
Additions from business combinations	3,797	6,761	262	10,820
Transfer	485	12,814	–13,347	–48
Disposals	–8	–2,317	–408	–2,733
Depreciation/amortisation during the financial year	–2,178	–11,335	0	–13,513
Effects of changes in foreign currency exchange rates	551	2,561	91	3,203
Balance at 31 December 2018 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	**44,185**	**74,566**	**10,318**	**129,069**
Balance at 1 January 2018				
Cost of purchase or conversion	81,252	247,491	7,751	336,494
Accumulated depreciation/ amortisation and impairments	–39,804	–182,251	0	–222,055
Carrying amount	**41,448**	**65,240**	**7,751**	**114,439**

Balance at 31 December 2018				
Cost of purchase or conversion	86,211	268,151	10,318	364,680
Accumulated depreciation/ amortisation and impairments	–42,026	–193,585	0	–235,611
Carrying amount	**44,185**	**74,566**	**10,318**	**129,069**

Balance at 31 December 2017				
Cost of purchase or conversion	81,252	247,491	7,751	336,494
Accumulated depreciation/amortisation and impairments	–39,804	–182,251	0	–222,055
Carrying amount	**41,448**	**65,240**	**7,751**	**114,439**

Prepayments (€7,520 thousand) and assets under construction (€2,798 thousand) relate primarily to investments to expand operations at the sites in Kirn and Ringsheim, Germany, as well as investment projects at the plants in the United States and China.

31 DECEMBER 2017

in € '000	Land and buildings	Plant and equipment	Prepayments and assets under construction	Total
Balance at 1 January 2017 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	41,022	64,048	11,620	116,690
Additions	146	4,662	10,473	15,281
Transfer	3,812	9,458	–13,374	–104
Disposals	–14	–318	0	–332
Depreciation/ amortisation during the financial year	–2,049	–10,829	0	–12,878
Transfer depreciation/ amortisation	–3	0	0	–3
Effects of changes in foreign currency exchange rates	–1,466	–1,781	–968	–4,215
Balance at 31 December 2017 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	**41,448**	**65,240**	**7,751**	**114,439**
Balance at 1 January 2017				
Cost of purchase or conversion	79,055	240,669	11,620	331,344
Accumulated depreciation/amortisation and impairments	–38,033	–176,621	0	–214,654
Carrying amount	**41,022**	**64,048**	**11,620**	**116,690**

The useful life of property, plant and equipment was estimated as follows:

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

[19] INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

This item includes the entities accounted for as associates. The investment carrying amount in respect of CARTIERWILSON, LLC, which sells products of the US subsidiaries in the United States on a commission/agency basis in its capacity as a sales representative, was €717 thousand (previous year: €483 thousand). The investment carrying amount in respect of Sandusky Technologies LLC, was €232 thousand. The company operates in the area of plastics thermoforming. The profit from investments accounted for using the equity method was €413 thousand (previous year: €190 thousand) in total.

ASSOCIATES

	Ownership interest in %
CARTIERWILSON, LLC, Marietta, USA	25.0
Sandusky Technologies LLC, Fremont, USA	25.0

[20] INVENTORIES

in € '000	31/12/2018	31/12/2017
Raw materials and consumables used	33,987	28,641
Work in progress	737	657
Finished goods and merchandise	56,533	48,077
Prepayment for inventories	1,098	581
	92,355	**77,956**

The amount relating to inventory impairments recognised in cost of material rose by €725 thousand year on year to €7,675 thousand in the period under review; of this amount, write-downs relating to the net realisable value of finished goods totalled €656 thousand (previous year: €203 thousand).

[21] TRADE RECEIVABLES

Trade receivables result from the sale of products to customers as part of the operating business model. The items are due primarily in 30 to 90 days. On initial recognition, they are recognised at the amount of unconditional consideration and held with the aim of collecting the contractual cash flow. Subsequently, they are measured at amortised cost;

in € '000	31/12/2018	31/12/2017
Gross carrying amount	**66,467**	**58,887**
Of which past due within the following time ranges		
Not overdue	57,029	47,603
up to 30 days	5,995	7,618
between 31 and 60 days	1,331	1,677
between 61 and 90 days	467	654
more than 91 days	1,645	1,335

The impairment losses in respect of financial assets relate exclusively to trade receivables and were as follows:

in € '000	31/12/2018	31/12/2017
31 December (determined on the basis of IAS 39)	2,426	2,229
Amounts restated retrospectively above the opening balance of revenue reserves	483	0
1 January 2018 (determined on the basis of IFRS 9)	2,909	2,229
Exchange differences	-83	-36
Increase in impairment in financial year (recognised in profit and loss)	229	342
Written off as uncollectible	-291	-77
Not used and reversed	-314	-32
31 December	**2,450**	**2,426**
Net carrying amount	**64,017**	**56,461**

EXPECTED LOSS RATES

in %	31/12/2018	31/12/2017
Country risks	0.0 – 22.4	–
Industry risks	0.45 – 3.0	–

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 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 expenses, while income attributable to amounts received in connection with derecognised trade receivables is accounted for as other income.

in € '000	2018	2017
Expenses attributable to the derecognition of trade receivables	171	105
Income attributable to amounts received in connection with derecognised trade receivables	20	28

[22] OTHER ASSETS AND TAX ASSETS

in € '000	31/12/2018	31/12/2017
Receivables from value-added tax	3,567	1,722
Prepayments	250	238
Advance payments for future periods	1,071	755
Receivables from energy tax	646	697
Other receivables	874	793
	6,408	**4,204**

At the end of the reporting period, other assets were neither impaired nor past due.

Tax assets amount to €4,235 thousand (previous year: €1,259 thousand) and are attributable primarily to Europe and the Americas segment.

[23] ASSETS HELD FOR SALE

As in the previous year, at the end of the reporting period no assets held for sale were recognised by the Group.

[24] CASH AND CASH EQUIVALENTS

in € '000	31/12/2018	31/12/2017
Bank balances and cash on hand	52,483	68,022
	52,483	**68,022**

Bank balances bear interest on the basis of floating interest rates applicable to deposits payable on demand. No restraints on use are known apart from the local statutory restrictions applicable to the subsidiaries in China. At the end of the reporting period cash attributable to the Chinese entities amounted to €1,429 thousand (previous year: €1,304 thousand).

As at 31 December 2018, the Group had undrawn borrowing facilities of €16,975 thousand (previous year: €18,643 thousand).

[25] EQUITY

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

Issued capital

As at 31 December 2018, 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	31/12/2018	31/12/2017
Share capital	15,500	15,500
Issued capital	**15,500**	**15,500**

As was the case in the previous financial year, SIMONA AG has no treasury shares.

Capital reserves

in € '000	31/12/2018	31/12/2017
Share premium from the issuance of stock	15,274	15,274
Capital reserves	**15,274**	**15,274**

Capital reserves include the share premium from the issuance of SIMONA AG stock. There was no increase in capital reserves in the period under review.

Other reserves

in € '000	31/12/2018	31/12/2017
Currency translation effects	8,956	5,677
Other reserves	**8,956**	**5,677**

Other reserves include currency translation effects attributable to exchange differences occurring upon translation of the financial statements of foreign subsidiaries as well as the foreign exchange effects (accounted for in equity) of translating net investments in foreign subsidiaries.

in € '000	31/12/2018	31/12/2017
Exchange differences on translating financial statements of subsidiaries	2,858	–6,124
Exchange differences on translating net investments	589	–1,358
Exchange differences on translating foreign operations	**3,447**	**–7,482**
Deferred taxes from currency translation	–169	804
Exchange differences	**3,278**	**–6,678**

Non-controlling interests

This item relates solely to non-controlling interests in DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland. The non-controlling interests correspond to the applicable voting rights and amount to 49 per cent. There are no restraints in place as regards the right of SIMONA AG to access or use assets of this subsidiary and to meet contractual obligations. Revenue generated by this entity amounted to €3,055 thousand in the period under review (previous year: €2,382 thousand). The total payment made in the financial year under review amounted to €41 thousand (previous year: €41 thousand). The company's balance sheet total stands at €1,377 thousand and is mainly composed of current assets (€1,362 thousand) and current liabilities (€619 thousand).

[26] FINANCIAL LIABILITIES

Financial liabilities are comprised of the following items:

in € '000	Due date	31/12/2018	31/12/2017
Non-current financial liabilities			
Pro-rata bank loan of €26,229 thousand (nominal amount), (principal repayments due after 31/12/2019)	2020 – 2025	15,280	18,705
		15,280	**18,705**
Current financial liabilities			
Pro-rata bank loan of €26,229 thousand (nominal amount), (principal repayments due up to 31/12/2019)	01/2019–12/2019	3,425	3,425
		3,425	**3,425**

As regards loans from banks, fixed interest rates of between 1.8 per cent and 2.1 per cent have been agreed in respect of KfW funds. Interest is computed either on the basis of the nominal amount of the loan or the remaining amount of the loan. As in the previous financial year, the overdraft facility of SIMONA AG, with its floating interest rate calculated on the basis of EONIA (Euro Over Night Index Average), was not utilised.

Other financial liabilities comprise the following items:

in € '000	Due date	31/12/2018	31/12/2017
Non-current other financial liabilities			
Other	Immediately	59	231
		59	**231**
Current other financial liabilities			
Accounts receivable with credit balances	Immediately	2,119	1,764
		2,119	**1,764**

[27] PENSIONS

The majority of employees of SIMONA AG, SIMONA Produktion Kirn GmbH & Co. KG and SIMONA Produktion Ringsheim GmbH & Co. KG 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. These relate to benefits in respect of retirement, disability and surviving dependants.

In order to mitigate the risks associated with defined benefit plans, particularly as regards longevity, inflation and salary increases, SIMONA introduced multifinanced defined contribution plans for employees joining the company on or after 1 January 2009.

The underlying expert opinions were prepared on 10 January 2019.

With the exception of payments to SIMONA Sozialwerk GmbH, no contributions are made to funds, cf. Note [28].

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.

The changes in the liabilities of defined benefit obligations (DBO) are as follows:

in € '000	31/12/2018	31/12/2017
DBO at beginning of reporting period	65,424	67,867
Service cost	1,722	1,792
Interest cost	1,161	1,204
Remeasurement actuarial gains/losses	–6,255	–3,816
due to changes in financial assumptions	–1,121	0
due to changes in demographic assumptions	–5,214	0
due to changes in the entitlement base	80	–3,816
Benefits paid	–1,540	–1,623
DBO at end of reporting period	60,512	65,424
of which non-current liability	**58,857**	**63,829**
of which current liability	**1,655**	**1,595**

The Group anticipates benefit payments of €1,655 thousand (previous year: €1,595 thousand) in connection with defined benefit pension plans for the 2019 financial year.

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

Parameters	31/12/2018	31/12/2017
Discount rate	1.90 %	1.80 %
Salary increase	2.50 %	2.50 %
Pension increases	1.87 %	1.87 %
Mortality (mortality tables published by K. Heubeck)	2018 G	2005 G

A change of half a percentage point each in the above-mentioned basic assumptions used for the purpose of determining the DBO as at 31 December 2018 would increase or decrease the DBO as outlined below. This was determined on the basis of the projected unit credit method as well as the parameters mentioned:

Parameters	Change in DBO if parameters are changed by half a percentage point as at 31/12/2018 in € '000 (previous year)	
	Increase	**Decrease**
Discount rate	–5,165 (–5,760)	5,934 (6,638)
Salary increase	1,168 (1,319)	–1,108 (–1,249)
Pension increase	4,212 (4,692)	–3,803 (–4,229)

The decline in mortality rates by 10 % results in an increase in life expectancy dependent on the individual ages of each participant. The DBO as at 31 December 2018 would increase by €2,135 thousand (previous year: €2,249 thousand) following a reduction in the mortality rate by 10 % and would decrease by €–1,893 thousand (previous year: €–1,999 thousand) following a 10 % increase in the mortality rate.

The weighted average duration of the DBO attributable to defined benefit pension plans is 18.3 years (previous year: 18.8 years).

[28] COMPANY WELFARE INSTITUTIONS

SIMONA Sozialwerk GmbH is structured as a long-term employee benefit fund within the meaning of IAS 19.8. 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.

The agreed plans relating to SIMONA Sozialwerk GmbH are structured as final salary pension plans in the case of both personnel employed on the basis of collective wage agreements and managerial staff. The defined benefit plans are associated in particular with risks in respect of longevity, inflation and salary increases.

Funding of SIMONA Sozialwerk GmbH is performed in observance of tax regulations.

in € '000	31/12/2018	31/12/2017
DBO at beginning of reporting period	80,312	76,512
Service cost	2,853	2,934
Interest cost	1,431	1,364
Remeasurement actuarial gains/losses	4,226	807
due to changes in financial assumptions	–1,925	0
due to changes in demographic assumptions	5,003	0
due to changes in the entitlement base	1,148	807
Benefits paid	–1,394	–1,305
DBO at end of reporting period	87,428	80,312
Fair value of plan assets at the beginning of the year	46,566	41,046
Returns on plan assets	826	727
Remeasurement	–4,076	6,098
Benefits paid	–1,394	–1,305
Fair value of plan assets at the end of the year	41,922	46,566
Deficit	**–45,506**	**–33,746**

The Group anticipates benefit payments of €1,574 thousand (previous year: €1,468 thousand) in connection with indirect defined benefit pension plans for the 2019 financial year.

As regards the basic assumptions for determining the pension obligations, please refer to the details in Note [27].

A 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 19.8, the plan assets are available to be used only to pay or fund employee benefits.

The change in the deficit as at 31 December 2018 is attributable primarily to the remeasurement implemented due to the decrease in value of plan assets.

A change of half a percentage point each in the above-mentioned basic assumptions used for the purpose of determining the DBO as at 31/12/2018 would increase or decrease the DBO as follows (cf. also Note [27]):

Parameters	**Change in DBO if parameters are changed by half a percentage point as at 31/12/2018 in € '000 (prev. year)**	
	Erhöhung	**Verminderung**
Discount rate	–8,780 (–8,143)	10,263 (9,530)
Salary increase	3,239 (2,944)	–2,971 (–2,714)
Pension increase	6,173 (5,750)	–5,605 (–5,215)

The decline in mortality rates by 10 % results in an increase in life expectancy dependent on the individual ages of each participant. The DBO as at 31 December 2018 would increase by €3,214 thousand (previous year: €2,922 thousand) following a reduction in the mortality rate by 10 % and would decrease by €–2,861 thousand (previous year: €–2,606 thousand) following a 10 % increase in the mortality rate.

The composition of plan assets is presented below:

FAIR VALUE AT

in € '000	31/12/2018	31/12/2017
Category of assets		
Shares in SIMONA AG	29,400	32,940
Bonded loans (Schuldscheindarlehen)	2,929	2,962
Time deposits	2,743	2,673
Investment funds	5,774	6,795
Cash and cash equivalents	1,076	1,196
Total plan assets	**41,922**	**46,566**

The shares in SIMONA AG and the interests in investment funds are quoted in an active market. A concentration of risk exists in respect of SIMONA AG shares.

The weighted average duration of the DBO relating to defined benefit pension plans of SIMONA Sozialwerk GmbH is 21.6 years (prev. year: 21.8 years).

The liability recognised in the statement of financial position with regard to this pension plan changed as follows:

in € '000	31/12/2018	31/12/2017
Liability at beginning of reporting period	33,746	35,466
Service cost	2,853	2,934
Net interest expense	606	637
Remeasurement actuarial gains/losses	4,226	807
due to changes in financial assumptions	-1,925	0
due to changes in demographic assumptions	5,003	0
due to changes in the entitlement base	1,148	807
Remeasurement from plan assets	4,075	-6,098
Liability at end of reporting period	**45,506**	**33,746**

[29] OTHER PROVISIONS

in € '000	Personnel-related obligations	Guarantees/ warranties	Other	Total
Balance at 1 January 2018	**1,055**	**3,991**	**344**	**5,390**
Allocated	214	121	298	633
Used	33	0	0	33
Reversed	0	187	0	187
Exchange differences	0	66	16	82
Effect of time value of money	15	6	0	20
Reclassified to other balance sheet item	0	–55	–376	–430
Balance at 31 December 2018	**1,251**	**3,942**	**282**	**5,475**
Current provisions	295	1,724	14	2,034
Non-current provisions	956	2,218	268	3,441
Balance at 31 December 2018	**1,251**	**3,942**	**282**	**5,475**

in € '000	Personnel-related obligations	Guarantees/ warranties	Other	Total
Balance at 1 January 2017	**1,093**	**3,117**	**58**	**4,268**
Allocated	107	1,245	313	1,665
Used	159	308	20	487
Reversed	0	1	2	3
Exchange differences	0	–62	–5	–67
Effect of time value of money	14	0	0	14
Balance at 31 December 2017	**1,055**	**3,991**	**344**	**5,390**
Current provisions	242	1,343	31	1,616
Non-current provisions	813	2,648	313	3,774
Balance at 31 December 2017	**1,055**	**3,991**	**344**	**5,390**

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.

Provisions for guarantees are recognised in connection with warranties for products sold in preceding years. The calculation is based on historical claims from guarantees and warranties. 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 five 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 five 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.

[30] OTHER LIABILITIES

Other liabilities comprise the following items:

in € '000	31/12/2018	31/12/2017
Payables to workforce	9,416	7,337
Payables relating to social security	1,243	1,351
Liabilities relating to credit notes and commissions	1,405	1,595
Tax payables	685	1,175
Other	2,968	3,146
	15,717	**14,604**

[31] 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 were as follows:

in € '000	31/12/2018	31/12/2017
Cash and cash equivalents	52,483	68,022
	52,483	**68,022**

The effects of changes to cash and cash equivalents attributable to exchange rates were €382 thousand (prev. year: €–1,139 thousand) at Group level.

Cash flows from investing and financing activities are accounted for directly, i.e. on a payments basis. Cash flows from operating activities are determined indirectly on the basis of earnings before taxes, i.e. via changes to operating items in the Group statement of financial position, having eliminated changes relating to acquisitions and currency translation.

[32] RELATED-PARTY DISCLOSURES

Entities and persons with control over the SIMONA Group or who are exposed to the significant influence of SIMONA AG, 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. The Management Board and the Supervisory Board are considered to be management in key positions.

Management Board

- Wolfgang Moyses, Chairman, Kirn
- Dirk Möller, Deputy Chairman, Kirn
- Fredy Hiltmann, Kirn (until 30/06/2018)
- Dr. Jochen Hauck, Kirn (since 01/01/2019)

Supervisory Board

Dr. Rolf Gößler, Bad Dürkheim
Diplom-Kaufmann
Chairman of the Supervisory Board
- Member of the Supervisory Board of J. Engelsmann AG, Ludwigshafen

Roland Frobel, Isernhagen
Deputy Chairman of the Supervisory Board
- Member of the Supervisory Board of GBK Beteiligungen AG, Hannover
- Member of the Supervisory Board of Hannover 96 GmbH & Co. KGaA, Hannover
- Member of the Advisory Board of Deutsche Bank AG, Region Nord

Dr. Roland Reber, Stuttgart
- Managing Director of Ensinger GmbH, Nufringen

Joachim Trapp, Biberach (until 31/05/2018)
Qualified Lawyer
- Deputy Chairman of the Management Board of Kreissparkasse Biberach, Biberach

Martin Bücher, Biberach (since 08/06/2018)
- Chairman of the Executive Board of Kreissparkasse Biberach, Biberach
- Member of the Advisory Board of BW Global Versicherungsmakler GmbH
- Deputy Supervisory Board Member of BW Bank
- Member of the Supervisory Board of Ochsle Bahn AG

Andy Hohlreiter, Becherbach
Employee Representative

Markus Stein, Mittelreidenbach
Employee Representative

Wolfgang Moyses performs supervisory duties in the following entities:
- Customer Advisory Board member Landesbank Rheinland-Pfalz, Mainz
- Advisory Board of CW Brabender Instruments Inc., South Hackensack, USA

- Supervisory Board member of SURTECO SE, Buttenwiesen-Pfaffenhofen

Wolfgang Moyses performs supervisory duties at the following SIMONA Group companies:

- SIMONA S.A.S., Domont
- SIMONA S.r.l. Società UNIPERSONALE, Cologno Monzese (MI)
- SIMONA IBERICA SEMIELABORADOS S.L., Barcelona
- SIMONA UK Ltd., Stafford
- SIMONA POLSKA Sp. z o.o., Wrocław
- SIMONA AMERICA Inc., Archbald
- SIMONA PMC LLC, Findlay
- SIMONA FAR EAST LIMITED, Hong Kong
- SIMONA ENGINEERING PLASTICS TRADING (SHANGHAI) CO. LTD., Shanghai
- SIMONA ASIA LIMITED, Hong Kong
- SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen.

Dirk Möller is a shareholder (11.64 per cent of shares in SIMONA AG) and a member of the Management Board of SIMONA AG. At the same time, Dirk Möller performs supervisory duties within the following SIMONA Group companies:

- SIMONA S.A.S., Domont
- SIMONA POLSKA Sp. z o.o., Wrocław
- SIMONA AMERICA Inc., Archbald
- SIMONA FAR EAST LIMITED, Hong Kong
- SIMONA ENGINEERING PLASTICS TRADING (SHANGHAI) CO. LTD., Shanghai
- SIMONA ASIA LIMITED, Hong Kong
- SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen.

Dr. Roland Reber, member of the Supervisory Board of SIMONA AG, is also the Managing Director of Ensinger GmbH; Nufringen. In the financial year under review, product sales amounting to €3,946 thousand (previous year: €3,710 thousand) were transacted between SIMONA AG and the entities of the Ensinger Group.

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 (revenues less than €25 thousand in total). This also applies to close family members of the aforementioned persons.

Receivables from related parties relate to trade receivables from the Ensinger Group totalling €792 thousand (prev. year: €819 thousand).

Payables to related parties consist of compensation to Supervisory Board members of SIMONA AG for the 2018 financial year and amount to €140 thousand (previous year: €140 thousand). There are no other outstanding balances or obligations towards related parties.

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.

Business relationships exist with associates on a commission/agency basis in respect of the sale of products in the United States; this business totals €3,133 thousand (previous year: €2,780 thousand).

The supply and business relations between the respective persons and companies are conducted on arm's length terms.

Compensation of members of the Management Board and Supervisory Board

MANAGEMENT BOARD COMPENSATION ACCORDING TO IAS 24.17:

in € '000	2018	2017
Short-term benefits		
Fixed salary and fringe benefits	890	924
Annual bonus	1,064	1,030
	1,954	**1,954**
Other long-term benefits	781	529
Total compensation	**2,735**	**2,483**

COMPENSATION DISCLOSURE PURSUANT TO SECTION 314(1) NO. 6 HGB:

in € '000	2018	2017
Fixed compensation		
Fixed salary and fringe benefits	890	924
Variable compensation		
Annual bonus	1,064	1,030
Long-term incentive programme	600	620
Total compensation	**2,554**	**2,574**

The variable component of Management Board compensation is based on earnings performance within the Group and a long-term incentive programme. It uses average Group NOPAT (net operating profit after taxes) as the key performance indicator, calculated on the basis of a three-year performance period. The first performance period of the current long-term incentive programme encompasses the financial years 2016–2018, the second performance period comprises the financial years 2017–2019 and the third performance period relates to the financial years 2018–2020. Payment occurs subsequent to the adoption of the consolidated financial statements for the final year of the respective performance period. Members of the Management Board do not receive grants in respect of state-managed defined contribution plans, nor do they receive share-based payments or loans.

Post-employment benefits of €15,846 thousand (previous year: €16,595 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 €–685 thousand (previous year: €371 thousand). Full allocations have been made to pension provisions for former members of the Management Board. At the end of the reporting period, these amounted to €5,575 thousand (previous year: €5,640 thousand).

Compensation of former Management Board members and their surviving dependants amounted to €301 thousand (previous year: €420 thousand).

At Group level, Supervisory Board compensation for 2018 amounted to €162 thousand (previous year: €167 thousand). Supervisory Board compensation encompasses no variable components. Alongside their Supervisory Board compensation, staff representatives appointed to the Supervisory Board received remuneration in the form of wages and salaries during the 2018 financial year, which included retirement benefit obligations in the generally applicable amount in respect of work performed for the company. The company does not grant share-based payments or loans to members of the Supervisory Board.

[33] FINANCIAL RISK MANAGEMENT

Principles and objectives of financial risk management

The SIMONA Group operates at an international level. Parts of the assets, liabilities and planned transactions are exposed to risks arising from foreign currency market risk, interest rate market risk and default and liquidity risks.

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.

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 significant 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.

At an operating level, the respective entities within the Group conduct the majority of their business transactions in their functional currency. The parent company essentially manages the foreign currency transactions within the Group and hedges them within the defined ranges 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. The risk concentrations of the currencies result primarily from the following sensitivity analysis.

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

If, as at 31 December 2018, the euro had appreciated (depreciated) by 10 per cent against all other currencies, earnings before taxes would have been €3,538 thousand lower (€4,324 thousand higher). The hypothetical effect on profit of minus €3,538 thousand (plus €4,324 thousand) is attributable to the following sensitivity to exchange rates:

in € '000	**Effect on profit before taxes**	
EUR/USD	–913	(1,115)
EUR/GBP	–146	(178)
EUR/CHF	–416	(508)
EUR/CZK	535	(–654)
EUR/PLN	–104	(128)
EUR/HKD	–752	(919)
EUR/CNY	–1,403	(1,715)
EUR/RUB	–135	(165)
EUR/INR	–200	(244)
EUR/SGD	–4	(5)
	–3,538	**(4,324)**

If, as at 31 December 2017, the euro had appreciated (depreciated) by 10 per cent against all other currencies, earnings before taxes would have been €3,932 thousand lower (€4,806 thousand higher). The hypothetical effect on profit of minus €3,932 thousand (plus €4,806 thousand) is attributable to the following sensitivity to exchange rates:

in € '000	**Effect on profit before taxes**	
EUR/USD	–1,350	(1,650)
EUR/GBP	–144	(176)
EUR/CHF	–395	(483)
EUR/CZK	414	(–507)
EUR/PLN	–97	(191)
EUR/HKD	–769	(939)
EUR/CNY	–1,249	(1,527)
EUR/RUB	–156	(119)
EUR/INR	–182	(223)
EUR/SGD	–4	(5)
	–3,932	**(4,806)**

Interest-rate risk

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. The company's short-term bank overdraft is the financial instrument generally exposed to interest-rate risk. It remained undrawn at the end of the 2018 financial year. Therefore, a sensitivity analysis of interest rates was of no relevance.

Credit risk

The default risk arises primarily from cash and cash equivalents as well as outstanding customer receivables, which are reported in the consolidated statement of financial position under trade receivables. Customer receivables are monitored on a decentralised basis in each legally independent Group company and reported as part of the monthly financial statements. Depending on the credit rating of the customer, receivables are subject to the risk of default, which is mitigated with the help of trade credit insurance. On average, around 70–80 per cent of sales revenue generated by SIMONA AG, having factored in a deductible, is safeguarded by a trade credit insurance policy.

Impairment of financial assets

The Group mainly has one type of financial asset that is subject to the new model of expected credit losses: trade receivables from the sale of goods. Cash and cash equivalents are also subject to the impairment provisions of IFRS 9, but the identified impairment loss is immaterial.

Customer receivables exposed to a probable default risk are regularly monitored and the associated default risk is accounted for by impairment losses. The basis for determining impairment is primarily assumptions about the customer's country and industry risk, overdue receivables (more than 90 days) and available information about payment-related difficulties in individual cases. The country or sector risk is determined on the basis of the available S&P country ratings or historical S&P default data for sectors. The maximum potential credit risk is limited to the net carrying amount (less value-added tax) of the financial assets. The default risks mainly relate to impaired customer receivables in the Europe segment amounting to €2,103 thousand (previous year: €2,335 thousand).

Trade receivables are derecognised when it is no longer probable that they will be realized. This is indicated by the debtor's failure to commit to an instalment payment plan and its failure to make contractual payments after more than 90 days of default. Impairment losses are recognised in operating profit under other expenses (losses from the derecognition of financial assets and impairment losses).

Previous accounting policy for the impairment of trade receivables: in the previous year, the basis for the impairment was essentially considerable financial difficulties of the debtor, payment default or default (more than 90 days overdue) and increased probability that insolvency proceedings will be opened against the debtor's assets.

As in the previous year, there are no significant risk concentrations in the Group, given the various international sales markets and diversified customer structure.

Liquidity risk

In order to ensure solvency and financial flexibility, the Group continuously monitors liquidity from operating activities as well as payment expectations from commitments for capital investment orders placed by Group companies. The liquidity status is reported regularly. Risk concentrations result from the following issuer rating.

Alongside cash and cash equivalents amounting to €52.5 million (previous year: €68.0 million), the SIMONA Group has undrawn borrowing facilities of €17.0 million (previous year: €18.6 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.

Credit risk relating to cash exists solely as a result of business relationships with banks, which have the following long-term rating:

ISSUER RATING CASH

in € '000	31/12/2018	31/12/2017
A1	3,801	3,753
A2	1,762	516
Aa2	5,948	3,856
Aa3	15,654	21,987
Baa1	0	10,293
Baa2	0	13,080
Baa3	11,511	0
No rating	13,807	14,537
	52,483	**68,022**

The maturity structures of payment obligations relating to the financial liabilities of the Group were as follows.

in € '000	Up to 1 year	2–5 years	More than 5 years	Total
Financial liabilities	3,425	13,700	1,580	18,705
Other financial liabilities	2,119	59	0	2,178
Trade payables	20,987	0	0	20,987
Financial liabilities 31/12/2018	**26,531**	**13,759**	**1,580**	**41,870**

in € '000	Up to 1 year	2–5 years	More than 5 years	Total
Financial liabilities	3,425	13,700	5,005	22,130
Other financial liabilities	1,764	231	0	1,995
Trade payables	11,116	0	0	11,116
Financial liabilities 31/12/2017	**16,305**	**13,931**	**5,005**	**35,241**

As in the previous financial year, at 31 December 2018, there were no foreign exchange forward contracts or currency options that would result in amounts due to the entity or payment obligations.

Capital management
Among the key financial goals of the SIMONA Group are objectives to raise enterprise value in a sustainable manner, ensure solvency and sufficient liquidity reserves and achieve an equity ratio of at least 50 per cent.

The Group manages its capital structure primarily on the basis of the equity ratio and makes adjustments in response to changing economic conditions where such action is deemed appropriate. External financing is mainly conducted via short- and long-term bank borrowings and bank loans. Additionally, the return on operating assets is reviewed annually as part of the forecasting process and is an important criterion when it comes to managing the Group's investment budget. Return on capital employed (ROCE) is used as a performance indicator with regard to profitability.

As at 31 December 2018, the equity ratio was 55 per cent (previous year: 56 per cent). The level of debt stood at 77 per cent (previous year: 75 per cent).

[34] FINANCIAL INSTRUMENTS

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

FINANCIAL INSTRUMENTS		CARRYING AMOUNT		FAIR VALUE	
in € '000		**31/12/2018**	**31/12/2017**	**31/12/2018**	**31/12/2017**
Non-current financial assets					
Financial assets	AC	340	340	340	340
Investments accounted for using the equity method	AC	949	483	949	483
Current financial assets					
Trade receivables	AC	64,017	56,461	64,017	56,461
Other financial assets	AC	1,406	692	1,406	692
Cash and cash equivalents	AC	52,483	68,022	52,483	68,022
Non-current financial liabilities and other financial liabilities					
Loans	AC	–15,280	–18,705	–15,280	–18,705
Other financial liabilities	AC	–59	–231	–59	–231
Current financial liabilities and other financial liabilities					
Loans	AC	–3,425	–3,425	–3,425	–3,425
Trade payables	AC	–20,987	–11,116	–20,987	–11,116
Other financial liabilities	AC	–2,119	–1,764	–2,119	–1,764
Total by measurement category					
AC – Amortised Cost Assets		119,194	125,998	119,194	125,998
AC – Amortised Cost Liabilities		–41,870	–35,241	–41,870	–35,241

The non-current financial assets classified as AC - Amortised Cost are interests in affiliated companies. No active market exists for these instruments and the fair value cannot be otherwise reliably determined. These interests are measured at cost of purchase. There are no plans to dispose of interests in the near future.

The aforementioned financial instruments predominantly have short residual terms to maturity. Therefore, their carrying amounts at the reporting date approximate their fair values.

The cash and cash equivalents held as "AC - Amortised Cost" include time deposits with a maximum term of three months.

The fair value of loans was determined by discounting the expected future cash flows on the basis of the prevailing market rate of interest as well as by applying option pricing models. Within this context, the calculation takes into account that the loans are subject to floating or fixed interest rates on the basis of standard market terms and conditions.

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

NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

in € '000	Interest	Fair value	Currency translation	Impairment loss/ Disposal	Total 2018
AC	–117	0	76	–185	–225

in € '000	Interest	Fair value	Currency translation	Impairment loss/ Disposal	Total 2017
AC	–184	0	–1,294	–464	–1,942

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

- Level 1: unadjusted quoted prices 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; and
- Level 3: methods that use inputs which have a significant effect on the recognised fair value and are not based on observable market data

With the exception of derivative financial instruments, no fair value hierarchy is disclosed for financial assets and liabilities, as the carrying amount is a reasonable approximation of fair value.

Hedging transactions

Cash flow hedging instruments
As at 31 December 2018, as was the case in the previous financial year, the Group held no forward currency contracts or currency options or interest rate swaps.

[35] 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 Produktion Kirn GmbH & Co. KG, Kirn, Germany	100.0
SIMONA Kirn Management GmbH, Kirn, Germany	100.0
SIMONA Produktion Ringsheim GmbH & Co. KG, Ringsheim, Germany	100.0
SIMONA Ringsheim Management GmbH, Ringsheim, Germany	100.0
SIMONA Immobilien GmbH & Co. KG, Kirn, Germany	100.0
SIMONA Immobilien Management 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. Società UNIPERSONALE, Cologno Monzese (MI), 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 LIMITED, Hong Kong, China	100.0
SIMONA AMERICA Inc., Archbald, USA	100.0
Laminations Inc., Archbald, USA	100.0
Boltaron Inc., Newcomerstown, USA	100.0
DANOH, LLC, Akron, USA	100.0
SIMONA PMC, LLC, Findlay, USA	100.0
SIMONA PMC Acquisition Inc., Archbald, USA	100.0
SIMONA AMERICA Industries LLC, Archbald, USA	100.0
SIMONA ENGINEERING PLASTICS TRADING (SHANGHAI) CO., LTD. Shanghai, China	100.0
SIMONA ASIA LIMITED, Hong Kong, China	100.0
SIMONA ENGINEERING PLASTICS (Guangdong) 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
SIMONA INDIA PRIVATE LIMITED, Mumbai, India	100.0
SIMONA ASIA PACIFIC PTE. LTD., Singapore, Singapore	100.0

The following entities were fully consolidated for the first time in the 2018 financial year: SIMONA PMC LLC, Findlay, SIMONA PMC Acquisition Inc., Archbald and SIMONA AMERICA Industries LLC, Archbald. There were no changes to the ownership interests held in subsidiaries in the financial year under review.

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.

COMPANY

	Ownership interest	Equity 31/12/2017	Profit/loss 2017
	%	€ '000	€ '000
SIMONA Sozialwerk GmbH, Kirn, Germany	50.0	12,017	–327
SIMONA Vermögensverwaltungs-gesell-schaft der Belegschaft mbH, Kirn, Germany	50.0	2,365	522

Owing to its classification as a pension fund, SIMONA Sozialwerk GmbH is not included in the consolidated financial statements, as specified in IAS 19.8.

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.

Corporate acquisitions

Effective from 1 August 2018, the Group acquired 100 per cent of the capital and voting rights in Premier Material Concepts, LLC, USA. The acquisition was made for the purpose of strengthening the Group's position within the US market for semi-finished plastics, expanding the product portfolio and unlocking new fields of application in niche markets for thermoforming applications using high-performance plastics. The consideration amounts to a total of US$31,043 thousand (translated into €26,451 thousand) and was paid in full in cash. There are no outstanding or contingent purchase price payments. The payment for the acquisition less net cash acquired amounts to €25,167 thousand.

The following information pertaining to purchase price allocation details the values of the principal groups of identifiable assets and liabilities acquired at the date of purchase:

intangible assets €5,155 thousand, property, plant and equipment €10,820 thousand, inventories €3,494 thousand, trade receivables from customers €2,880 thousand and other assets €82 thousand, cash and cash equivalents €1,284 thousand, trade and other payables €1,567 thousand. The gross value of the acquired customer receivables amounts to €2,987 thousand, the impairment losses amount to €107 thousand. No uncollectible receivables were identifiable on the acquisition date. Intangible assets were attributable mainly to customer relationships as well as production technology and brands. Goodwill amounting to €4,304 thousand includes non-separable intangible assets such as expertise relating to personnel as well as anticipated synergy effects from the product portfolio and sales. Goodwill is tax-deductible in the United States.

In the period from 1 August to 31 December 2018, the acquired company generated consolidated revenues of €9,305 thousand and a loss for the period (including the effects of purchase price allocation) of €540 thousand. If the acquired company had been included in the consolidated financial statements since 1 January 2018, the effect on Group sales revenue would have been €23,628 thousand and the effect on loss would have been €730 thousand.

The costs associated with the business combination total €648 thousand and are recognised in the income statement under other expenses.

Average number of staff employed in the financial year:

GROUP

	2018	2017
Industrial staff	803	736
Clerical staff	524	495
Employees	**1,327**	**1,231**
School-leavers (apprentices)	60	54
Total number of employees	**1,387**	**1,285**

Contingent liabilities and other financial commitments
Contingent liabilities relate in particular to extended warranty periods regarding the sale of plastic products. No information on the financial implications and uncertainties relating to the amount or timing of any outflow has been disclosed as it is not practicable to do so. At present, SIMONA does not expect any outflow from contingent liabilities.

OTHER FINANCIAL COMMITMENTS

in € '000	31/12/2018	31/12/2017
Commitments from operating rental and lease agreements		
Due within:		
1 year	924	777
2–5 years	1,724	1,661
after 5 years	198	381
	2,845	**2,819**

ORDER COMMITMENTS

in € '000	31/12/2018	31/12/2017
Investment projects	14,318	6,690
Raw material orders	12,078	14,171
	26,396	**20,861**

The share of intangible assets in total commitments is negligible.

Declaration of Conformity regarding the German Corporate Governance Code
In accordance with Section 161 AktG, the company filed a Declaration of Conformity for 2018 on 22 February 2019. It has been made permanently available to shareholders on its corporate website at www.simona.de.

Disclosures under Section 313(2) HGB
SIMONA Kirn Management GmbH, Kirn, is the general partner of SIMONA Produktion Kirn GmbH & Co. KG, Kirn. SIMONA Ringsheim Management GmbH, Ringsheim, is the general partner of SIMONA Produktion Ringsheim GmbH & Co. KG, Ringsheim. SIMONA Immobilien Management GmbH, Kirn, is the general partner of SIMONA Immobilien GmbH & Co. KG, Kirn.

SIMONA AG, Kirn, prepares the consolidated financial statements for the largest and smallest group of companies. The consolidated financial statements have been filed with the District Court Bad Kreuznach, Commercial Register No. HRB 1390.

Directors' holdings – Shares held by members of the Management Board and Supervisory Board of SIMONA AG
As at 8 June 2018 (date of the Annual General Meeting of Shareholders) the members of the Management Board reported a total holding of 70,826 shares; this corresponds to approx. 11.80 per cent of the share capital of SIMONA AG.

As at 8 June 2018 (date of the Annual General Meeting of Shareholders) the members of the Supervisory Board reported a total holding of 1,300 shares; this corresponds to approx. 0.22 per cent of the share capital of SIMONA AG.

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.

Audit fees
The total fees invoiced by the independent auditor of SIMONA AG and subsidiaries in the financial year under review were €431 thousand. These fees comprised the following items: €403 thousand for year-end auditing services, €12 thousand for tax consulting services and €16 thousand for other confirmation services. Tax consultancy services provided by our independent auditor encompass the preparation of tax returns and the tax treatment of specific circumstances. The other confirmation services relate to reviews conducted in accordance with the German Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz -EEG).

Events after the reporting period
Within the Americas segment expenses relating to the impairment of inventories and receivables are expected to be around €500 thousand following the insolvency of a customer.

Responsibility Statement
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 Group, and the Group management report that has been combined with the management report of SIMONA Aktiengesellschaft, Kirn, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Kirn, 29 March 2019
SIMONA Aktiengesellschaft
The Management Board

Wolfgang Moyses Dirk Möller Dr. Jochen Hauck

Reproduction of the Auditor's Report

INDEPENDENT AUDITOR'S REPORT
To SIMONA Aktiengesellschaft, Kirn
REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

Opinions
We have audited the consolidated financial statements of SIMONA Aktiengesellschaft, Kirn, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement (statement of profit or loss), the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2018 as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of SIMONA Aktiengesellschaft, which has been combined with the Company's management report, for the financial year from 1 January to 31 December 2018.

In accordance with German statutory requirements, we have not audited the content of those parts of the Group management report specified under "Other Information" in this Independent Auditor's Report.

In our opinion, based on our audit findings,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to Section 315e(1) HGB and give a true and fair view of the net assets and financial position of the Group as at 31 December 2018 and of its results of operations for the financial year from 1 January to 31 December 2018, in accordance with these requirements, and
- the accompanying Group management report as a whole provides a suitable view of the Group's position. In all material respects, the Group management report is consistent with the consolidated financial statements, complies with German statutory requirements, and suitably presents the opportunities and risks of future development. Our opinion on the Group management report does not cover the content in respect of those parts of the Group management report specified under "Other Information" in this Independent Auditor's Report.

Pursuant to Section 322(3) sentence 1 HGB, we state that our audit has not led to any reservations with respect to compliance of the consolidated financial statements and the Group management report.

Basis for opinion
We conducted our audit of the consolidated financial statements and Group management report in accordance with Section 317 HGB and the EU Audit Regulation (No 537/2014; hereinafter referred to as "EU Audit Regulation") and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer – IDW). Our responsibilities under those regulations and guidelines are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and Group management report" section of our report. We are independent of the Group companies in accordance with the requirements of European Union law as well as German commercial law and the rules of professional conduct, and we have fulfilled our other ethical responsibilities under German professional law in accordance with these requirements. In addition, pursuant to Article 10(2)(f) EU Audit Regulation, we hereby declare that we did not provide any of the prohibited non-audit services referred to in Article 5(1) EU Audit Regulation.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements and Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Corporate acquisition of Premier Material Concepts LLC (PMC)
2. Recoverability of goodwill
3. Provisions for pensions

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1. Corporate acquisition of Premier Material Concepts LLC (PMC)

1. On 31 July 2018, SIMONA Aktiengesellschaft acquired the US extrusion company Premier Material Concepts LLC, Findlay/USA, (PMC) for a purchase consideration of €26.5 million (US$ 31.0 million) and accounted for the business combination in the consolidated financial statements of SIMONA Aktiengesellschaft by applying the acquisition method in accordance with IFRS 3. In this context, the identifiable assets and liabilities assumed in respect of the acquiree were recognised at their fair values at the acquisition date. Taking into account the figure of €22.2 million in net assets acquired, goodwill amounted to €4.3 million. Given the material effects of the corporate acquisition on the financial position, performance and cash flows of the SIMONA Group and in view of the complexity of measurements in respect of assets and liabilities to be accounted for as part of purchase price allocation, this matter was of particular importance in the context of our audit.

2. As part of our audit, among other aspects, we conducted a thorough review of the contractual agreements relating to the corporate acquisition. In this context, we also reconciled the purchase price paid by SIMONA AG as consideration for the assets received with the evidence submitted to us in respect of payments made. In this context, the opening balances on which the acquisition was based were assessed as part of the audit of the consolidated financial statements. In view of the specific characteristics and the complexity of the valuation with regard to the purchase price allocation, we were supported by our in-house valuation specialists. In collaboration with these experts, we assessed the valuations on which the purchase price allocation was based and verified whether the agreements of the purchase agreement had been taken into account in an appropriate manner. In particular, we assessed the assumptions and parameters used for their appropriateness. In addition, we reconstructed the presentation of the corporate acquisition in the statement of financial position as well as its presentation in the cash flow statement. By using checklists, we were able to verify the completeness of the notes required under IFRS 3. Overall, we were able to satisfy ourselves that the corporate acquisition was adequately documented and properly depicted, taking into account the information available to us.

3. The Company's disclosures on the presentation of the corporate acquisition and related goodwill are included under points 17 and 35 of the notes to the consolidated financial statements.

2. Recoverability of goodwill

1. Goodwill totalling €30.2 million (representing 7.5 % of total assets and 13.7 % of equity) is reported under the "Intangible assets" item in the Company's consolidated statement of financial position. Goodwill is tested for impairment by the Company once a year, and when there are indications of impairment, to determine any possible need for write-downs. Impairment testing is carried out at the level of the groups of cash-generating units to which the relevant goodwill has been allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally calculated on the basis of the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. The present values are calculated using discounted cash flow models. For this purpose, the Group's one-year financial plan prepared by the Legal Representatives and adopted by the Supervisory Board forms the starting point for future projections; it is supplemented by detailed forecasts for a further three planning years based on assumptions about long-term rates of growth. They also take into consideration expectations regarding future market development and assumptions relating to the macroeconomic influences. The discount rate used is the weighted average cost of capital for the relevant group of cash-generating units. The impairment test determined that no write-downs were necessary. The outcome of this assessment is dependent to a large extent on the estimates made by the Legal Representatives with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2. As part of our audit, we reviewed the methodology employed for the purposes of performing the impairment test, among other things. After cross-checking the future cash inflows used for the calculation with the Group's approved one-year plan and the forecasts for the second to fourth planning year, we assessed the appropriateness of the calculation, in particular by comparing it with general and sector-specific market expectations. We discussed supplementary adjustments to the planning projections for the purposes of the impairment test with the members of the Company's staff responsible, and reviewed these. We also assessed whether the basis for including the costs of Group functions was accurate. In the knowledge that even relatively small changes in the discount rate can have a material impact on the value of the entity calculated by applying this method, we also focused our testing on the parameters used to determine the discount rate applied and evaluated the Company's calculation procedures. We reproduced the sensitivity analyses performed by the Company in order to reflect the uncertainty inherent in the projections. Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were

adequately covered by the discounted future net cash inflows. We verified that the necessary disclosures were made in the notes relating to the "SIMONA America Inc." cash-generating unit for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating unit including the allocated goodwill.

Overall, the measurement inputs and assumptions used by the Legal Representative are in line with our expectations and are also within the ranges considered by us to be reasonable.

3. The Company's disclosures on goodwill have been included in point 17 of the notes to the consolidated financial statements.

3. Provisions for pensions

1. In the Company's consolidated financial statements the item "Provisions for pensions" includes pension provisions totalling €106.0 million (26.4 % of the consolidated balance sheet total). The pension provisions comprise obligations from defined benefit pension plans amounting to €147.9 million less plan assets of €41.9 million. The obligations from defined benefit pension plans were measured using the projected unit credit method. This requires, in particular, assumptions with regard to long-term salary and pension trends, average life expectancy and staff turnover rates. The discount rate must be determined by reference to market yields on high-quality corporate bonds with matching currencies and consistent maturities. This usually requires the data to be extrapolated, as there is an insufficient number of long-term corporate bonds. The plan assets are measured at fair value. In our view, these matters were of particular significance in the context of our audit, as the recognition and measurement of this large-scale item are dependent to a considerable extent on estimates and assumptions made by the Legal Representatives of the Company.

2. As part of our audit, we reviewed the actuarial reports prepared by external parties at the request of the Company and assessed the professional qualifications of these external experts. In addition, we focused, among other aspects, on the specifics of the actuarial calculations and assessed the numerical data, the actuarial parameters and the method of valuation applied to the measurement for the purpose of evaluating their conformity with standards and their appropriateness. In addition, we analysed the changes in the obligation and the cost components in accordance with actuarial expert reports in the light of changes occurring in the valuation parameters and the numerical data, and verified their plausibility. For the purposes of our audit of the fair value of plan assets, we obtained bank confirmations and securities account statements as at the end of the reporting period. On the basis of our audit procedures, we were able to satisfy ourselves that the estimates applied and assumptions made by the Company's Legal Representatives are substantiated and sufficiently documented.

3. The disclosures by the Company in respect of pension provisions have been included under points 27 and 28 of the notes to the consolidated financial statements.

Other Information

The Company's Legal Representatives are responsible for the Other Information. The Other Information comprises the following non-audited parts of the Group management report that we obtained prior to the date of our auditor's report:

- The declaration of corporate governance pursuant to Section 289f HGB and Section 315d HGB, as presented in section 5.1 of the Group management report
- The non-financial statement pursuant to Section 289b(1) HGB and Section 315b(1) HGB, as presented in section 6 of the Group management report.

The annual report is expected to be made available to us after the date of the auditor's report.

Our audit opinions on the consolidated financial statements and on the Group management report do not cover the Other Information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In the context of our audit, our responsibility is to read the Other Information and, in so doing, to consider whether the Other Information

- is materially inconsistent with the consolidated financial statements, the Group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Legal Representatives and Supervisory Board for the consolidated financial statements and the Group management report

The Legal Representatives are responsible for the preparation of the consolidated financial statements which, in all material respects, comply with IFRS, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. Furthermore, the Legal Representatives are responsible for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the Legal Representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, the Legal Representatives are responsible for using the going concern basis of accounting unless the intention is to liquidate the Group or to cease operations, or there is no realistic alternative to do so.

Moreover, the Legal Representatives are responsible for preparing the Group management report, which as a whole provides a suitable view of the Group's position, and, in all material respects, is consistent with the consolidated financial statements, complies with German statutory requirements and suitably presents the opportunities and risks of future development. Furthermore, the Legal Representatives are responsible for such arrangements and measures (systems) as they determine are necessary to enable the preparation of the Group management report in compliance with the applicable requirements of German commercial law and for providing sufficient and appropriate evidence for the assertions in the Group management report.

The Supervisory Board is responsible for monitoring the Group's financial reporting process for the preparation of the consolidated financial statements and the Group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and the Group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the Group management report as a whole provides a suitable view of the Group's position, as well as, in all material respects, is consistent with the consolidated financial statements and our audit findings, complies with German statutory requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our opinion on the consolidated financial statements and the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation, as well as in compliance with the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer – IDW), will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

As part of our audit we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the consolidated financial statements and the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements, and of the arrangements and measures relevant to the audit of the Group management report, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and Group management report or, if such disclosures are inadequate, to modify our particular opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with IFRS, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the Group management report. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.
- Evaluate consistency of the Group management report with the consolidated financial statements, its legal compliance, and presentation of the Group's position.
- Perform audit procedures on the prospective information presented by the Legal Representatives in the Group management report. Based on sufficient and appropriate audit evidence, we hereby in particular trace the significant assumptions used by the Legal Representatives as a basis for the prospective information and assess the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information as well as the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly from the prospective information.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Other disclosures pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor at the annual general meeting held on 8 June 2018. We were engaged by the Supervisory Board on 3 September 2018. We have been the Group auditor of SIMONA Aktiengesellschaft, Kirn, without interruption since the 2013 financial year.

We declare that the audit opinion in this auditor's report is consistent with the additional report to the audit committee referred to in Article 11 of the EU Audit Regulation (audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Christian Kwasni.

Frankfurt am Main, 3 April 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christian Kwasni	ppa. Christopher Schlig
German Public Auditor	German Public Auditor

Other Information

RESPONSIBILITY STATEMENT PURSUANT TO SECTIONS 297(2), 315(1) HGB

“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the SIMONA Group, and the Group management report, which has been combined with the management report of SIMONA AG, 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, 29 March 2019
SIMONA Aktiengesellschaft
The Management Board

Wolfgang Moyses Dirk Möller Dr. Jochen Hauck

Shareholdings of SIMONA AG

SIMONA AG, KIRN

SIMONA Beteiligungs-GmbH, Kirn, Germany	100.0 %
— **SIMONA S.A.S.**, Domont, France	100.0 %
— **SIMONA S.r.l. Società UNIPERSONALE**, Cologno Monzese (MI), Italy	100.0 %
— **SIMONA UK Ltd.**, Stafford, United Kingdom	100.0 %
— **SIMONA IBERICA SEMIELABORADOS S.L.**, Barcelona, Spain	100.0 %
— **SIMONA INDIA PRIVATE LIMITED**, Mumbai, India	0.01 %
SIMONA Produktion Kirn GmbH & Co. KG, Kirn, Germany	100.0 %
SIMONA Kirn Management GmbH, Kirn, Germany	100.0 %
SIMONA Produktion Ringsheim GmbH & Co. KG, Ringsheim, Germany	100.0 %
SIMONA Ringsheim Management GmbH, Ringsheim, Germany	100.0 %
SIMONA Immobilien GmbH & Co. KG, Kirn, Germany	100.0 %
SIMONA Immobilien Management GmbH, Kirn, Germany	100.0 %
SIMONA Sozialwerk GmbH, Kirn, Germany	50.0 %
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn, Germany	50.0 %
SIMONA-PLASTICS CZ, s.r.o., Prague, Czech Republic	100.0 %
SIMONA Plast-Technik s.r.o., Litvínov, Czech Republic	100.0 %
SIMONA POLSKA Sp. z o.o., Wrocław, Poland	100.0 %
DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland	51.0 %
OOO “SIMONA RUS”, Moscow, Russian Federation	100.0 %
SIMONA AMERICA Inc., Archbald, USA	100.0 %
— **64 NORTH CONAHAN DRIVE HOLDING, LLC**, Hazleton, USA	100.0 %
— **Laminations Inc.**, Archbald, USA	100.0 %
— **Boltaron Inc.**, Newcomerstown, USA	100.0 %
— — **DANOH, LLC**, Akron, USA	100.0 %
— — — **CARTIERWILSON, LLC**, Marietta, USA	25.0 %
— **SIMONA PMC, LLC**, Findlay, USA	100.0 %
— **SIMONA PMC Acquisition Inc.**, Archbald, USA	100.0 %
— **SIMONA AMERICA Industries LLC**, Archbald, USA	100.0 %
— **Sandusky Technologies LLC**, Ferrmont, USA	25.0 %
SIMONA FAR EAST LIMITED, Hong Kong, China	100.0 %
— **SIMONA ENGINEERING PLASTICS TRADING (SHANGHAI) CO. LTD.**, Shanghai, China	100.0 %
SIMONA ASIA LIMITED, Hong Kong, China	100.0 %
— **SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd.**, Jiangmen, China	100.0 %
SIMONA ASIA PACIFIC PTE. LTD., Singapore, Singapore	100.0 %
SIMONA INDIA PRIVATE LIMITED, Mumbai, India	99.99 %

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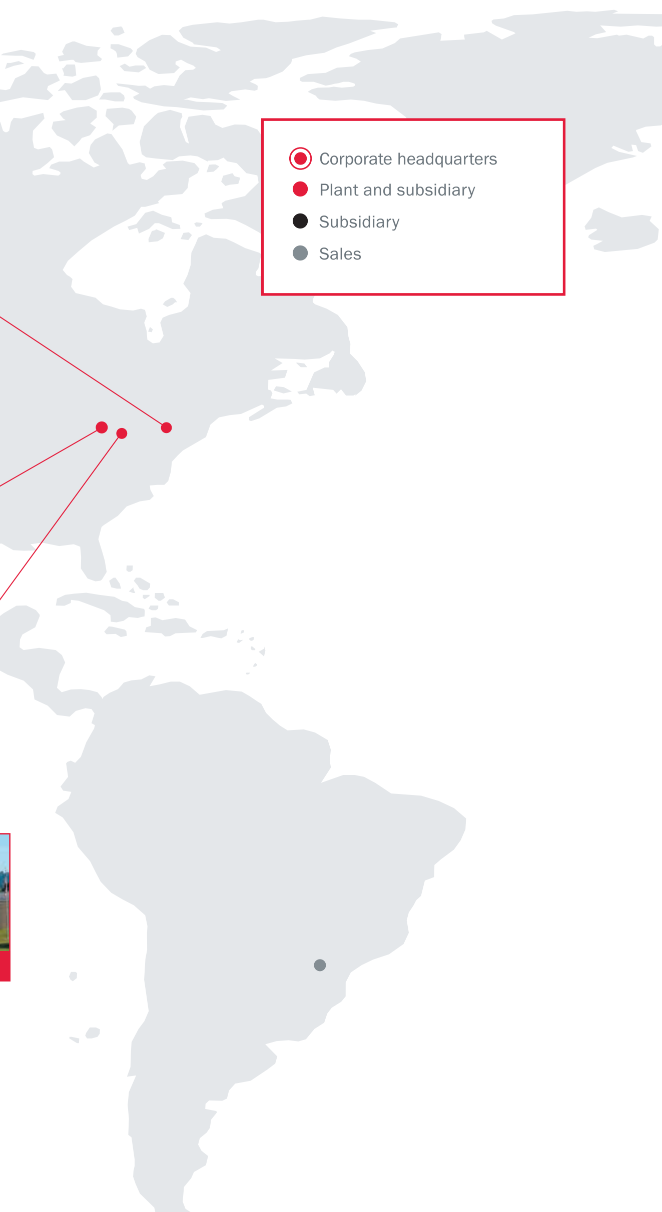
Financial Calendar 2019

2019

24 April	Annual Press Conference (Frankfurt)
	SIMONA Group Consolidated Financial Statements and Financial Statements of SIMONA AG for FY 2018
	Press Release on the First Quarter of 2019
07 June	Annual General Meeting 2019 Gesellschaftshaus der Stadt Kirn, Neue Straße 13, 55606 Kirn, Germany, scheduled for 11 a.m.
31 July	Group Interim Report for the First Half of 2019
23 October	Press Release on the Third Quarter of 2019

SIMONA worldwide
Global Thermoplastic Solutions




SIMONA AMERICA Industries LLC, Archbald, PA

Products:
- Sheets
- Welding rods

Processing methods:
- Extrusion
- Coextrusion


SIMONA PMC, LLC, Findlay, OH

Products:
- Sheets

Processing methods:
- Extrusion
- Coextrusion
- Laminating


SIMONA Boltaron Inc., Newcomerstown, OH

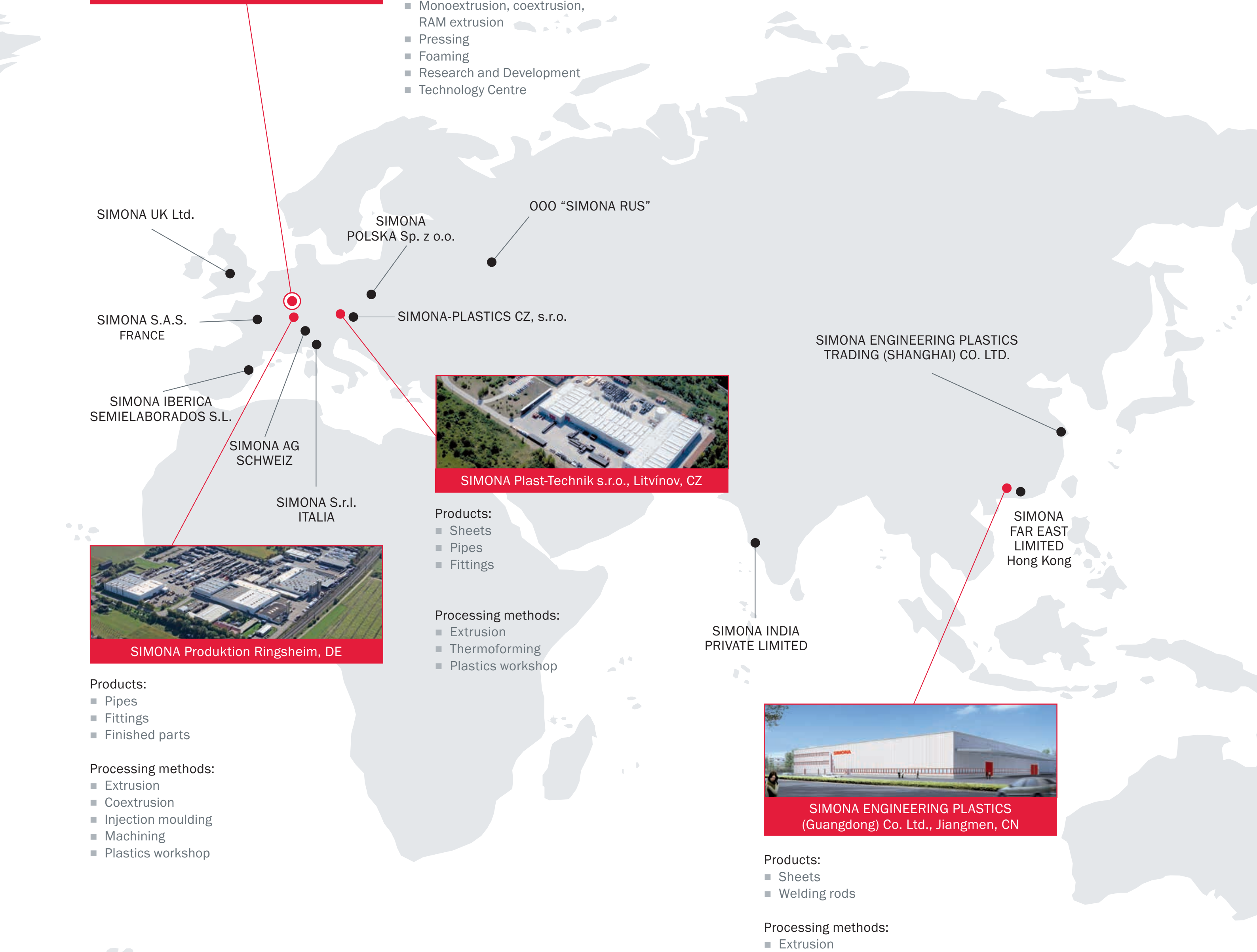
Products:
- Sheets

Processing methods:
- Extrusion
- Press laminating
- Calendering

SIMONA AG, Kirn, DE

Products:
- Sheets
- Solid/hollow rods
- Profiles
- Welding rods

Processing methods:
- Monoextrusion, coextrusion, RAM extrusion
- Pressing
- Foaming
- Research and Development
- Technology Centre



SIMONA Plast-Technik s.r.o., Litvínov, CZ

Products:
- Sheets
- Pipes
- Fittings

Processing methods:
- Extrusion
- Thermoforming
- Plastics workshop

SIMONA Produktion Ringsheim, DE

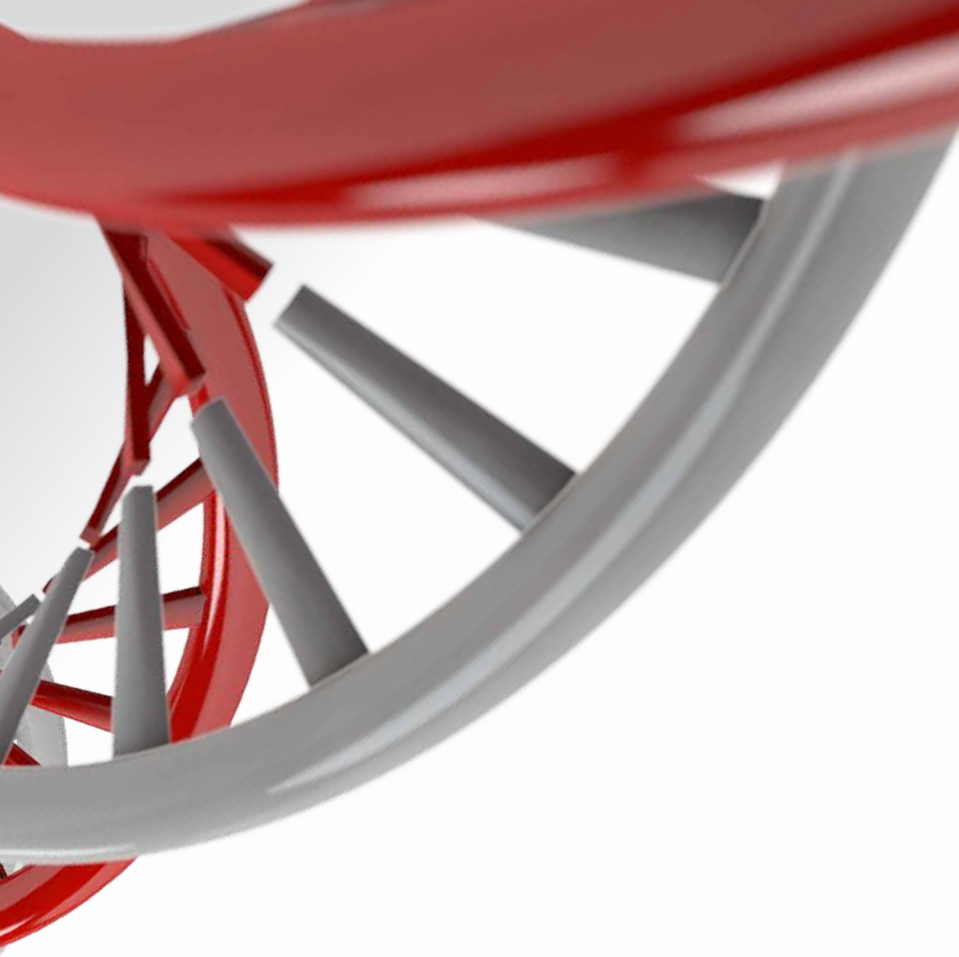
Products:
- Pipes
- Fittings
- Finished parts

Processing methods:
- Extrusion
- Coextrusion
- Injection moulding
- Machining
- Plastics workshop

SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, CN

Products:
- Sheets
- Welding rods

Processing methods:
- Extrusion
- Coextrusion



This document is published in German and as an English translation.
Only the German original shall be deemed authoritative.

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